



Metalloinvest

DRIVING THE EVOLUTION OF METALLURGY

ANNUAL REPORT
2020



Holding Company METALLOINVEST (Metalloinvest, the Company) and its subsidiaries comprise a full-cycle mining and metallurgical group of companies. Metalloinvest is a leading global producer and supplier of iron-ore products and HBI, as well as a regional producer of high quality steel.

DRIVING THE EVOLUTION OF METALLURGY

ANNUAL REPORT
2020

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HIGH GOALS CHANGE THE WORLD

Compliance with the principles of sustainable development is one of the key elements of the Company's Strategy.

Ivan Streshinsky

Chairman of the Board of Directors of Management Company Metalloinvest

STATEMENT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

GRI 102-14

DEAR COLLEAGUES AND PARTNERS,

We are pleased to present Metalloinvest's 2020 Consolidated Report, which comprises the Annual Report and the Sustainable Development Report.

Given the success of the 2019 Consolidated Report, we have decided to continue converging financial and non-financial reporting at Metalloinvest going forward.

Continuous improvement program

Sustainability has become integral to our business processes. Thus, the Qualitative Change Strategy announced in 2021 names sustainable development among our top three priorities, along with margin growth and operational and governance efficiency.

Employee safety and wellbeing have always been crucial for Metalloinvest, and the year 2020 has reminded us of why these values are so important. Many measures taken in response to COVID-19 will remain relevant well into the future, as accelerated digital transformation, new approaches to healthcare, and constant dialogue and partnership with healthcare providers continue to evolve.

The pandemic has reinforced global trends such as de-globalisation, de-carbonisation and digital transformation. We believe that these trends will continue to shape the mining and metals industry over the coming decades.

Moreover, the need to control greenhouse gas emissions is driving active global adoption of electric-arc technology, as well as rising demand for sustainable hot-briquetted iron (HBI). Metalloinvest has a strategic edge as a global leader in the HBI market. Our mission is to lay the foundation for the evolution of metals technology for future generations.

At Metalloinvest, our vision is to evolve as a global leader, offering high quality metallised, iron and steel products while promoting open partnership to forge a responsible metals industry in the future.

Long-term development priorities

In 2020, Metalloinvest continued implementing product quality initiatives. As our clients take an increasingly keen interest in premium products, quality is becoming a must to maintain our strategic edge.

Our long-standing relations with clients across the globe demonstrate that Metalloinvest is a trusted provider. We are working towards strengthening our position on the market by implementing efficient technological and operational solutions to deliver high-quality products tailored to clients' needs.

By launching the Supplier Code in 2020, Metalloinvest builds on its efforts to create a corporate framework for conducting responsible business with vendors and suppliers.

We also foster a culture that encourages employee engagement and initiative, bringing team spirit and professional skills to the fore.

In 2020, Metalloinvest established a Sustainable Development Committee as part of the Management Board to align sustainability across functions and manage the sustainability strategy, including related KPIs.

As part of its efforts to keep up with best global reporting practices, Metalloinvest continues to build stronger public transparency and global investor community engagement. We also take part in ESG ratings, organising external assessments for our activities.

We assign particular importance to environmental issues and implement leading practices in business ethics and anti-corruption.

Metalloinvest aims to become one of the most efficient and technologically advanced companies in the global metals and mining industry.

I am convinced that we can achieve this goal by fostering transparent partnerships with employees, clients, suppliers, regulators, local communities, and investors, as well as with our partners in science, academia, healthcare and sports.



HIGH RESULTS ENSURE SUSTAINABILITY

We create the foundation for evolution of the modern metallurgy.

Nazim Efendiev

Chief Executive Officer
of Management Company Metalloinvest



STATEMENT FROM THE CEO

GRI 102-14

DEAR COLLEAGUES AND PARTNERS,

2020 has reinforced our conviction that building a strategy rooted in the principles of sustainability is the best way forward. Despite the pandemic, Metalloinvest was able to maintain stable output and capacity while ensuring the protection of employees' health.

High quality products, safe and comfortable working conditions remain our top priorities.

Operational and financial performance

In 2020, Metalloinvest delivered strong financial performance in the face of external challenges, with our core product (iron ore) reaching an output of 40.4 million tonnes, up 0.5% from 2019. Steel production increased to almost 5 million tonnes. High value added products (HVA) accounted for 72% of iron ore shipments. The company earned an EBITDA of USD 2.5 billion, which was a slight change from 2019. However, the EBITDA margin grew from 36.1% to 38.5%.

Metalloinvest has taken significant measures to reduce its debt, optimise its credit portfolio and expand sources of liquidity. The net debt to EBITDA ratio was 1.3x by the end of 2020, which is sufficient to support full-scope implementation of the investment programme.

In 2020, Metalloinvest retained international credit ratings of Ba1 / BB+ with a stable outlook. It also received a rating of AA+(RU) with a stable outlook from ACRA, a Russian rating agency.

Major projects

As a milestone event in 2020, Mikhailovsky GOK launched a unique crushing and conveying facility to produce premium quality iron ore pellets.

By placing the second and third plants of the Lebedi substation into operation, Lebedinsky GOK completed one more stage of the large-scale investment project to implement external power supply. Oskol Electrometallurgical Plant (OEMK) launched a Ball-rolling mill and a heat treatment facility for processing rolled steel. OEMK also put continuous casting machine No. 3 back into operation after an upgrade. Meanwhile, Ural Steel re-launched blast furnace No. 2 after an upgrade and placed new steam generators into operation at the thermal power station. In addition to a laboratory equipment initiative, all production sites are running an integrated programme to transform their maintenance and repair processes.

Following the launch of a shared digital platform based on SAP S4/HANA in 2019, Metalloinvest has continued to implement a whole range of digital initiatives to transform management and administrative processes. Today, each project implemented by Metalloinvest combines technological solutions with digital innovations.

Looking into the future

To save our beautiful planet for future generations, we are laying a foundation that will drive the evolution of the metals industry. To this end, we are developing our capacities to produce direct reduced iron (DRI).

In the coming year, we will continue to develop and implement innovative technological solutions aimed at reducing greenhouse gas emissions and minimising our environmental footprint.

The year 2020 has clearly demonstrated that a well-rounded strategy that draws on sustainability, professional competence, team spirit, efficient governance and flexibility in the face of ambiguity can bring even the most ambitious goals closer to fruition.

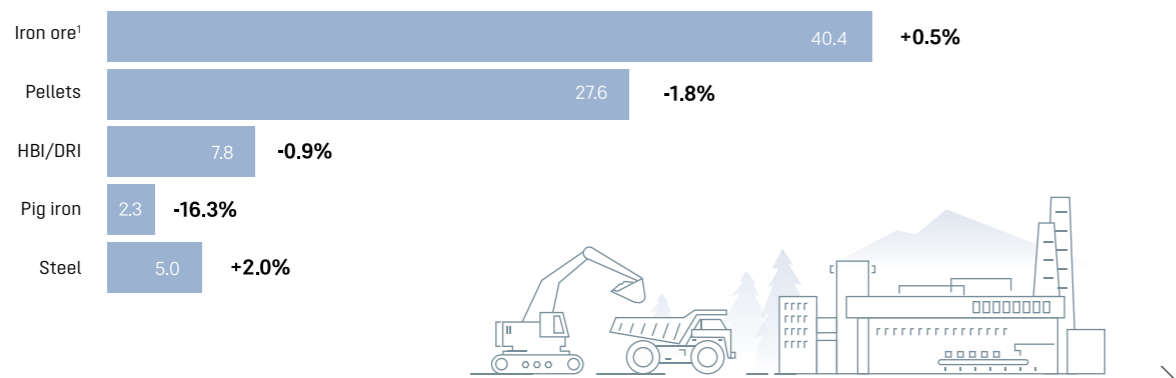
KEY RESULTS 2020

Key financial indicators for 2020 | USD billion

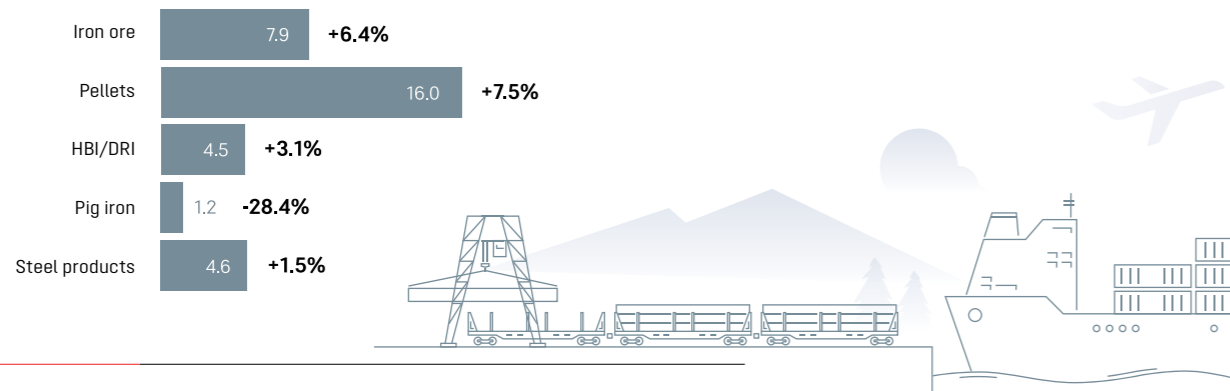
| | | |
|------------------|-----------------------|-------------------|
| REVENUE | GROSS PROFIT | NET INCOME |
| 6.4 -7.9% | 3.7 -2.0% | 1.3 -22.8% |
| EBITDA | EBITDA MARGIN | |
| 2.5 -1.7% | 38.5% 2.4 p.p. | |

OPERATING AND FINANCIAL RESULTS

Production | million tonnes






Sales | million tonnes



¹ Iron ore includes concentrate and sintering ore.

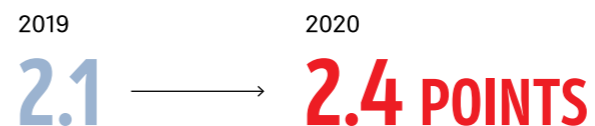
CORPORATE GOVERNANCE

| | | |
|---|--|---|
|  <p>178</p> <p>ISSUES WAS CONSIDERED BY THE BOARD OF DIRECTORS</p> |  <p>50</p> <p>ABSENTEE VOTES AND 6 MEETINGS</p> |  <p>online</p> <p>TOOLS WERE ACTIVELY USED WHEN HOLDING MEETINGS</p> |
|---|--|---|

- In the reporting period, the Board of Directors made a number of important decisions aimed at improving corporate governance, HR policy, risk management and internal controls, the Company's strategy and activities, and approval of transactions
- In December 2020 the Sustainable Development Committee, which is accountable to the Management Board, was set up, and a number of steps were taken to improve sustainable development governance in line with the Company's philosophy and strategy
- The activities of the Board of Directors were organised in line with the applicable safety requirements; online tools were actively used when holding meetings during the year

BUSINESS SYSTEM

The Company carried out independent remote diagnostics of the Business System's maturity level. The overall result reveals a positive trend towards development. The score for the reporting period was 2.4 points, which is 0.3 points higher than in the previous year.



INDEPENDENT DIAGNOSTICS OF THE BUSINESS SYSTEM'S MATURITY LEVEL

RISK MANAGEMENT

- In 2020, the Company's risk management system was reorganised into a Corporate-Wide Risk Management and Internal Control System (CRMICS)
- CRMICS was used to make informed management and production decisions, which significantly increased the degree of risk management integration with the general strategy of the Company

DRIVING THE EVOLUTION OF METALLURGY

WE OPEN PERSPECTIVES

ABOUT THE COMPANY

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Metalloinvest is one of the largest full-cycle mining and metallurgical holdings in Russia, the world leader in hot briquetted iron production, and the leading producer and supplier of iron ore and metallised products, as well as a regional producer of high quality steel

LARGEST HOLDER
OF IRON ORE RESERVES
GLOBALLY

Nº 2

LARGEST GLOBAL
PRODUCER OF COMMERCIAL
HBI IN TERMS OF OUTPUT

Nº 1

LARGEST GLOBAL
PRODUCER OF PELLETS
BY OUTPUT

Nº 2

LARGEST STEEL PRODUCER
IN RUSSIA BY OUTPUT,
2,000 STEEL GRADES

Nº 5

LARGEST PRODUCER OF PELLETS AND
CONCENTRATE IN RUSSIA AND THE CIS BY OUTPUT

Nº 1

COMPANY PROFILE

GRI 102-1 GRI 102-3 GRI 102-4 GRI 102-5 GRI 102-7



MISSION

Pave the way for the evolution of contemporary metallurgy for future generations



VISION

Metalloinvest is a global leader in the manufacture of high quality iron ore, as well as metal and steel products, creating a responsibility-based approach to the metallurgical industry of the future through open partnership



STRATEGIC PRIORITIES

- Increase in the EBITDA/sales margin
- Enhancement of operational and management efficiency
- Sustainable development



VALUES

- Human and environmental health
- Focus on results and efficiency
- Vigour and preparedness for change
- Respect and partnership

STRATEGY

The strategic priorities of the Company were updated based on the results of the reporting year² and consolidated in the renewed business strategy.

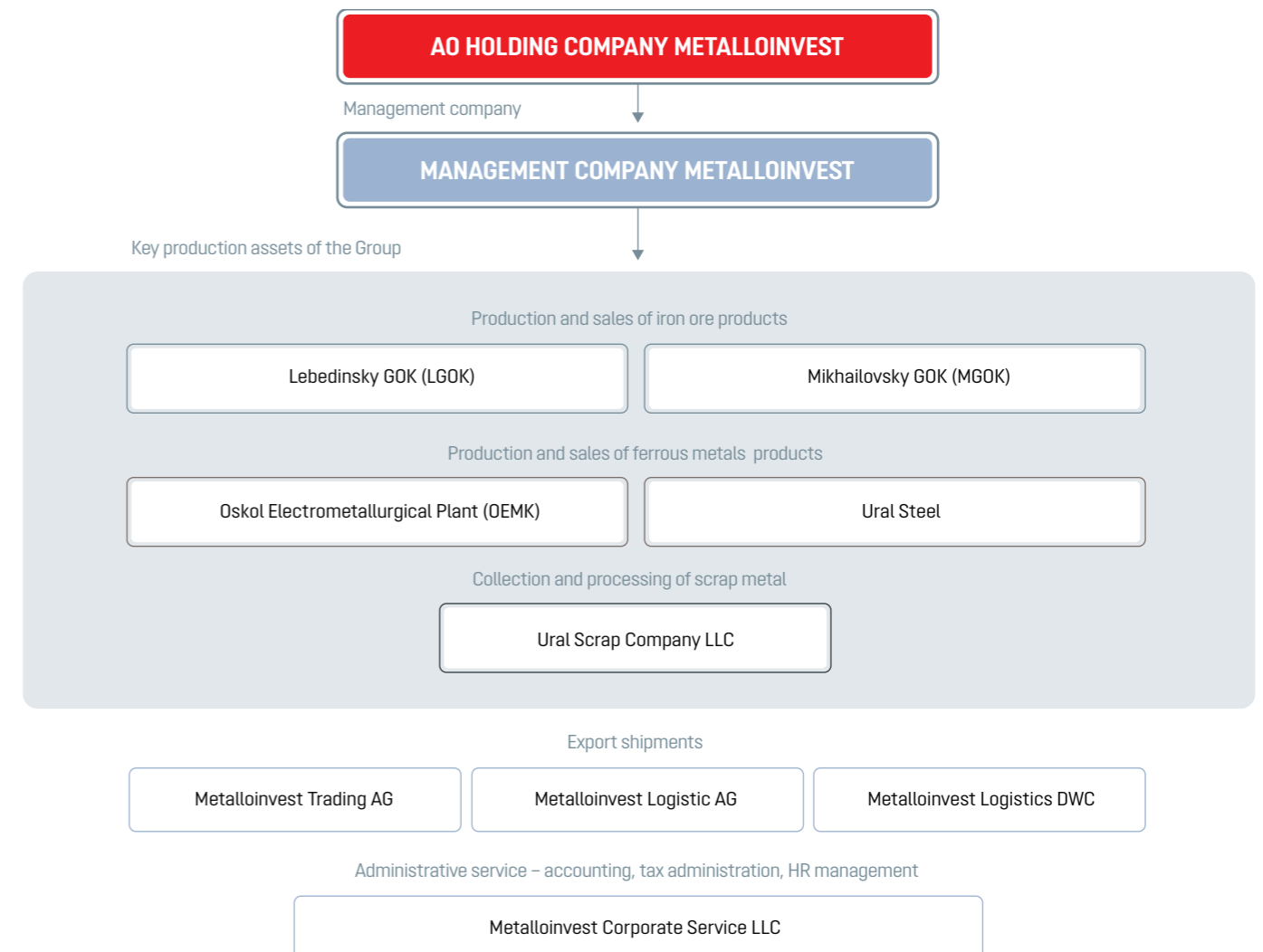
ORGANISATIONAL STRUCTURE

The Company's assets are managed by Management Company Metalloinvest (the Management Company), which is headquartered in Moscow, with some functional units based in Stary Oskol, Belgorod Region. The Company has established a shared services centre in Stary Oskol – the subsidiary Metalloinvest Corporate Service LLC, which provides administrative support for the Company's activities,

specifically in the areas accounting, tax administration, and HR management.

The Company's production activities are carried out in Russia. The main production facilities are located in three constituent entities of the Russian Federation: Belgorod, Kursk and Orenburg Regions.

Key Metalloinvest entities



² Post-balance sheet event: The updated Strategy 2026 was adopted by the Board of Directors in February 2021.

IN OCTOBER 2020, OSKOL ELECTROMETALLURGICAL PLANT WAS NAMED AFTER ALEKSEY ALEKSEEVICH UGAROV



” Aleksey Ugarov headed Oskol Electrometallurgical Plant for 26 years. His name is associated with the development of OEMK, the installation of modern facilities, the construction of Mill 350, and the introduction of new product types. During some of the most challenging years in the history of our country, Aleksey Alekseevich Ugarov maintained production and kept the OEMK team together, making a significant contribution to the development of the city.

Sergey Shishkovets,
Managing Director of OEMK



IN JUNE 2020, MIKHAILOVSKY GOK WAS NAMED AFTER ANDREY VLADIMIROVICH VARICHEV



” Andrey Vladimirovich Varichev headed MGOK in 2005-2006. He headed Metalloinvest since 2013. Andrey Varichev made a major contribution to increasing the competitiveness of MGOK. The construction of the first line of a unique crushing-conveying complex at the enterprise is currently in its final phase, high-performance excavators and dump trucks have been introduced, and a comprehensive product quality improvement programme is being implemented, alongside automation and digitalisation technologies.

Anton Zakharov,
Managing Director of MGOK



Other auxiliary assets

Metalloinvest has businesses which supply raw materials and provide maintenance services. It also has other auxiliary assets.

Production assets of the Group

- Zheleznogorsk Brick Factory
- Ruslime JSC
- Association of construction materials and household appliances LLC

Service and infrastructure assets of the Group

- SKS LLC
- MetalloinvestLeasing JSC
- KMA-Energosbyt JSC
- Metallo-Tech LLC
- Rudstroy LLC

Auxiliary business and other assets

- LebGOK-Health
- Lebed Hotel
- City Institution for Designing Metallurgical Plants LLC
- Metalloinvest Holding (Cyprus) Ltd
- Tsentrometallurgremont JSC, Zheleznogorsk
- Skorostnoy Tramway LLC
- Ural Service
- Kommunalshchik LLC
- Agrofirm Metallurg LLC
- Uralskaya Zdravnitsa LLC
- Gostinitsa Zheleznogorsk LLC
- Ivanovka LLC
- Tsekh Pitaniya LLC
- TPO LLC
- MGOK-Health, private healthcare center
- Nedra Ceramica LLC
- Agrofirm Gornyak LLC
- NPVP TOREX
- Plast-Impuls LLC

Production



Metalloinvest is the top player in Russia and the second largest mining company in the world in terms of iron ore reserves. The Company is developing two of the largest deposits at the Kursk Magnetic Anomaly: the Mikhailovsky and Lebedinsky deposits, located in the Kursk, Belgorod and Orel Regions.

According to the international JORC classification, the Company's verified iron ore reserves amount to 13.8³ billion tonnes, which is likely to be sufficient for approximately 136 years of operations at the current pace of production.

The map represents proven and probable ore reserves as per JORC adjusted by volume of mined ore as of 31 December 2019.⁴

IRON ORE RESERVES ACCORDING TO THE JOINT ORE RESERVES COMMITTEE (JORC)

13.8 BILLION TONNES

OF EXPLORATION ACTIVITIES

136 YEARS

Key extracted minerals



IRON (MAGNETITE)



MARTITE



HEMATITE



LIMONITE



SIDERITE

³ Company data is accurate as of 1 January 2021 based on the Mineral Expert's Report by IMC Group Consulting Ltd, prepared in 2010.

⁴ Map of the resource potential of the largest global players <https://www.metalloinvest.com/business/geography>

MINING SEGMENT

40.4

MILLION TONNES ANNUAL ORE PRODUCTION⁵

7.8

MILLION TONNES HBI/DRI PRODUCTION

The Company's Mining Segment comprises Lebedinsky GOK (LGOK) and Mikhailovsky GOK (MGOK). LGOK and MGOK are among the three largest iron ore mining and processing plants in Russia.⁶

The deposits worked by LGOK and MGOK are located in one of the world's largest iron-ore basins, the Kursk Magnetic Anomaly, which chiefly consists of magnetite ore with an average iron content of 34-39%. LGOK and MGOK produce approximately 40.4 million tonnes of ore per year and satisfy the iron ore and metallised raw material needs of the Company's metallurgical businesses in full.⁷

Metalloinvest is one of the leading global producers of commercial iron ore and the largest iron ore company in Russia and the Commonwealth of Independent States (CIS).



Lebedinsky GOK (LGOK)

The only manufacturer of HBI in Europe, Russia and the CIS, the largest enterprise in Russia and the CIS engaged in extraction and processing of iron ore, production of high-quality iron ore raw materials, and manufacture of metal resources.

Key products:

- Iron ore concentrate
- Non-fluxed pellets
- Fluxed pellets
- HBI

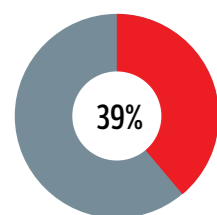
Mikhailovsky GOK (MGOK)

Open pit mining of the largest iron ore deposit in the CIS.

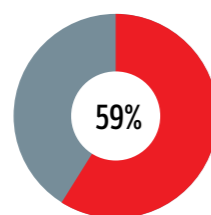
Key products:

- Sintering ore
- Iron ore concentrate
- Non-fluxed pellets
- Fluxed pellets

Share in domestic production:



39% of iron ore concentrate and sintering ore production



59% of iron ore pellet production



100% of HBI / Direct reduced iron (DRI) and metallised pellet production

⁵ Concentrate production (including sinter ore).

⁶ Based on the volume of production (according to Rudprom).

⁷ For more information, see Operating results and Market overview sections.

STEEL SEGMENT

5.0

MILLION TONNES OF ANNUAL STEEL PRODUCTION⁸

5th

LARGEST STEEL PRODUCER IN RUSSIA BY OUTPUT⁹

2.3

MILLION TONNES OF ANNUAL PIG IRON PRODUCTION

Metalloinvest's Steel Segment consists of Oskol Electrometallurgical Plant (OEMK) and Ural Steel – leading manufacturers of niche steel products in Russia and Ural Scrap Company LLC (Ural Scrap Company), which collects and recycles scrap metal.

Key products:

- DRI
- Pig iron
- Semi-finished steel products, square billets, rail and shaped billets, billets for the manufacturing of pipes and hardware
- Long steel products: coil, bar, high quality steel (Special Bar Quality)
- Sheet products: strip, bridge steel, steel for shipbuilding



OEMK

The only full-cycle metallurgical plant in Russia that employs direct reduction and electric smelting technologies, producing metal that is practically free from harmful impurities and residual elements.

Key products:

- DRI
- Rolled products: long products (including SBQ), square billets, tubular billets
- Continuously cast square and rectangular billets

Ural Steel

Features full-cycle production, including blast furnace, steelmaking and metal rolling facilities. In 2020, the steel-making furnace was upgraded using the FMF technology.

Key products:

- Pig iron
- Continuously cast round and rectangular billets
- Sheet products: bridge steel, ship steel, strips, structural steel

Ural Scrap Company

Purchases, processes and supplies ferrous scrap to the Company's metallurgical enterprises. It uses up-to-date equipment to prepare scrap for reuse in steel production.

Key products:

- Ferrous metals scrap

⁸ For more information, see Operating results and Market overview sections.

⁹ According to the Chermet Group.

KEY EVENTS IN 2020

March

- Put continuous casting machine No. 3 into operation at OEMK
- Launched FMF technologies at Ural Steel

April

- Completed reconstruction of the granitemite component plant at MGOK

May

- Installed a high-pressure roller press at MGOK

June

- Secured ECA financing for OEMK

July

- Launched pilot production of premium (DR-grade) iron ore pellets at MGOK
- Prolonged existing agreements with ING Bank on conditions for green financing

October

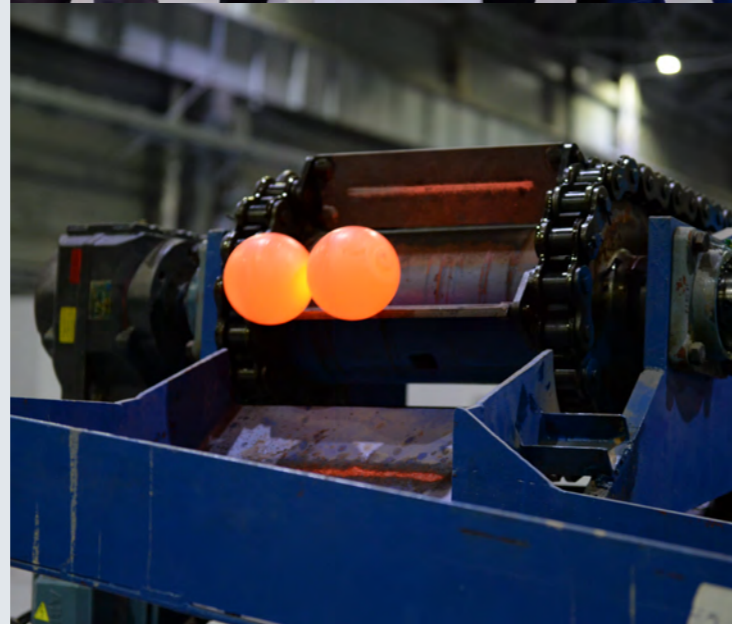
- Carried out the first export shipment at the new Ultramar terminal at the port of Ust-Luga
- Launched a ball-rolling mill at OEMK
- Acquired high-precision equipment for the laboratory at Ural Steel

November

- Completed repairs of the indurating machine at OEMK
- Launched advanced conveyor technology for transporting ore from an open pit at MGOK
- Launched the second and third start-up complex of the external power supply system at LGOK (Lebed substation)
- Introduced the role of Deputy CEO for Sustainable Development and Corporate Communications

December

- Upgraded blast furnace No. 2 at Ural Steel
- Completed the replacement of magnetic separators at MGOK
- Launched medium pressure boilers at the thermal power station of Ural Steel



RECOGNITION OF THE COMPANY'S ACHIEVEMENTS

Leaders of Corporate Philanthropy 2020: A+

Metalloinvest was awarded the highest ranking in the Leaders of Corporate Philanthropy 2020 rating by the Russian Donors Forum, a coalition of private and non-governmental organisations that issue grants.

World Wild Fund (WWF) Environmental Transparency Rating: #5

Metalloinvest showed the best result among ferrous metals companies. The Company also received the highest score for disclosing information on the environmental impact of its operations. This annual assessment of the transparency of the environmental information provided by mining and metals companies has been conducted since 2015 at the initiative of the World Wildlife Fund and the CREON consulting and analytical group with the support of the National Rating Agency.

MarCom Awards: Platinum and Gold Prizes

Metalloinvest was simultaneously awarded two top prizes by MarCom Awards, one of most important and reputable international competitions in the field of marketing, corporate communications and Public Relations (PR). The Platinum statuette in the 'Corporate Image (Video/Film)' category was awarded to the video Making Dreams Come True¹⁰ by Metalloinvest. In the 'Industrial Safety' category, the Gold prize was awarded to the video version of the introductory health, safety, and environment (HSE) training Industrial Safety for Company Visitors.

Good Deeds Champions: First and Second Place

Metalloinvest was a winner in two categories of the sixth national competition of corporate volunteering projects Good Deeds Champions 2020.

The Efficiency Champion project at LGOK won first prize in the 'Skill-based Volunteering' category. The enterprise offered schoolchildren the opportunity to gain new knowledge and experience during an educational quest dedicated to lean manufacturing technologies.

Volunteers at Metalloinvest's MGOK came second in the 'Mentoring' category. Their project aimed to organise studies and leisure activities for children with disabilities.

Metal Expo 2020: Gold Medal

The Ural Steel team was awarded a Gold Medal at the 26th International Industrial Exhibition Metal Expo 2020 for developing and successfully piloting manufacturing technology aimed at producing 50 mm thick sheet metal from sparingly alloyed cryogenic steel to be used in the production of liquefied natural gas (LNG) storage and transportation containers.

PRO EDM award

Metalloinvest won the PRO EDM award in the 'Recognition' category at a competition for the best electronic document management (EDM) projects. It was also shortlisted in the 'Speed' category. The jury of experts praised the efficiency of EDM implementation with the Company's suppliers and customers.

Russian Business Leaders: Dynamics, Responsibility and Sustainability 2019: First Place

Metalloinvest was the winner of the competition 'Russian Business Leaders: Dynamics, Responsibility and Sustainability 2019' in the category 'Contribution to the Social Development of Territories'. In 2019, the Company allocated almost RUB six billion to developing the social and cultural environment, education, health care, and sports. It also lent its support to vulnerable population groups.

TXF Award

Metalloinvest won the TXF competition in the category 'Financing Deal of the Year in the Metals and Mining Sector: Commodities' for its EUR 200 million pre-export financing transaction (PXF-2019/2), whose six-and-a-half-year repayment term was the longest in the history of the company. The deal also secured an attractive interest rate fixed for the entire term of the loan. The loan agreement was signed with seven international financial institutions: Société Générale (SGBT Finance Ireland Ltd), ING Bank N.V., INTESA, Bank of China, UniCredit Bank, Crédit Agricole CIB, and Deutsche Bank.

Winner of the Cbonds Awards 2020

Metalloinvest took first place at the prestigious annual Cbonds Awards. The issue of exchange-traded BO-04 series bonds by Holding Company Metalloinvest for RUB 10 billion was recognised by the financial community as the best IPO in the steel industry in 2020.

EcoVadis

In 2020, EcoVadis confirmed Metalloinvest's Silver ESG-rating, granting it 65 points and placing it in the top 7% of the companies it rated worldwide.

Sustainalytics

Metalloinvest was ranked 10th among 145 steel companies in the world, receiving 31.8 points from the international agency Sustainalytics.

ISS ESG

The company received a new 'C-' ranking from ISS ESG.

¹⁰ https://www.youtube.com/watch?v=shdL2_6FA3w

Value chain

GRI 102-9

VALUE FOR STAKEHOLDERS

For more information, see the Stakeholder engagement section of the Sustainability Report



SHAREHOLDERS

High information transparency and quality of management



For more information, see the Stakeholder engagement section of the Sustainability Report



CONSUMERS

Two-tiered quality control system: reactive (sales office) and proactive (business meetings and councils)

71% cumulative customer satisfaction index in Russia



For more information, see the Quality and customer-centricity section of the Sustainability Report



STAFF

Safe working conditions, fair remuneration, comfortable conditions for growth

0.7–1.0 — the ratio of salaries of entry-level employees to the minimum wage in our regions of operation



For more information, see the Responsibility to personnel section of the Sustainability Report



SUPPLIERS AND CONTRACTORS

Unified strategy of interaction with suppliers

95% of the Company's suppliers share the Metalloinvest Sustainable Development principles



For more information, see the Supply chain management and procurement policy section of the Sustainability Report



LOCAL COMMUNITIES

Interaction programmes, impact assessment of activities, and development of local communities

100% of the Company's enterprises implement programmes aimed at engaging with local populations



For more information, see the Responsibility to society section of the Sustainability Report



PUBLIC AUTHORITIES

Implementation of initiatives, monitoring of the industry, development of regions of presence

RUB 31 billion – the Company's tax payments to the regional and federal governments



For more information, see the Responsibility to society section of the Sustainability Report



INVESTMENT COMMUNITY

Favorable investment environment

The Company received an AA+ rating from the Russian rating agency ACRA



For more information, see the Financial results section



FINANCIAL CAPITAL

- Revenue: **USD 6,409 million**
- EBITDA: **USD 2,471 million**
- Net income: **USD 1,337 million**
- Capital expenditures: **USD 496 million**



For more information, see the Financial results section



MANUFACTURED CAPITAL

- Mining segment: LGOK, MGOK
- Metals segment: OEMK, Ural Steel, Ural Scrap Company
- Iron ore reserves: 13.8 billion tonnes for 136 years (second largest in the world and largest in Russia)
- Iron Ore Output: 40.4 million tonnes
- Pellet output: 27.6 million tonnes
- HBI/DRI output: 7.8 million tonnes
- Pig iron output: 2.3 million tonnes
- Steel output: 5.0 million tonnes



For more information, see the Operating results section



INTELLECTUAL CAPITAL

- Research on best available technology: a joint R&D development centre with the National University of Science and Technology (MISIS), a steel-making laboratory at OEMK, laboratories performing research on the metallurgical properties of iron ore products at LGOK and MGOK, patents for new steel grades
- Digitisation of business processes



For more information, see the Investment programmes and projects section and the Approach to HR management section of the Sustainability Report



HUMAN CAPITAL

- Total number of employees: 42,730
- Total time spent on employee training: 1.6 million hours
- Share of women on staff: 27%
- Average wage increase: +12%
- Employee turnover rate: 5.8%
- Number of emergencies/accidents recorded: 0



For more information, see the Approach to HR management section of the Sustainability Report



SOCIAL AND RELATIONSHIP CAPITAL

- Sustainable development policy
- Stakeholder engagement policy social council
- Investments in social programmes: RUB 7.1 billion
- Investments in education: RUB 446 million
- High ESG-ratings*



For more information, see the Stakeholder engagement section of the Sustainability Report
* For more information, see the Approach to sustainable development management section of the Sustainability Report



NATURAL CAPITAL

- Environmental programme for 2025: 50% completed
- Climate strategy
- Greenhouse gas emissions: 2.5 million tonnes reduction compared to 2019
- Total energy consumption: 227,319 TJ
- Economic effect from energy saving and energy efficiency projects: RUB 50 million annually



For more information, see Environmental responsibility section of the Sustainability Report

COMPETITIVE ADVANTAGES

- Second largest global player by iron ore reserves
- Second largest global producer of pellets by output
- Long lifetime of stockpiles
- Geographic diversification of sales
- Access to a developed logistics system
- Energy efficient technologies
- Low production costs of pellets and HBI/DRI in Russia and worldwide

KEY SUCCESS FACTORS

- Favourable geographic location of major production facilities in relation to key markets for finished products
- Unique transportation channels that provide flexibility when diversifying supplies and reducing transportation costs
- Suppliers who share our values
- A high level of corporate governance
- Innovation

Metalloinvest's business process

GRI 102-9

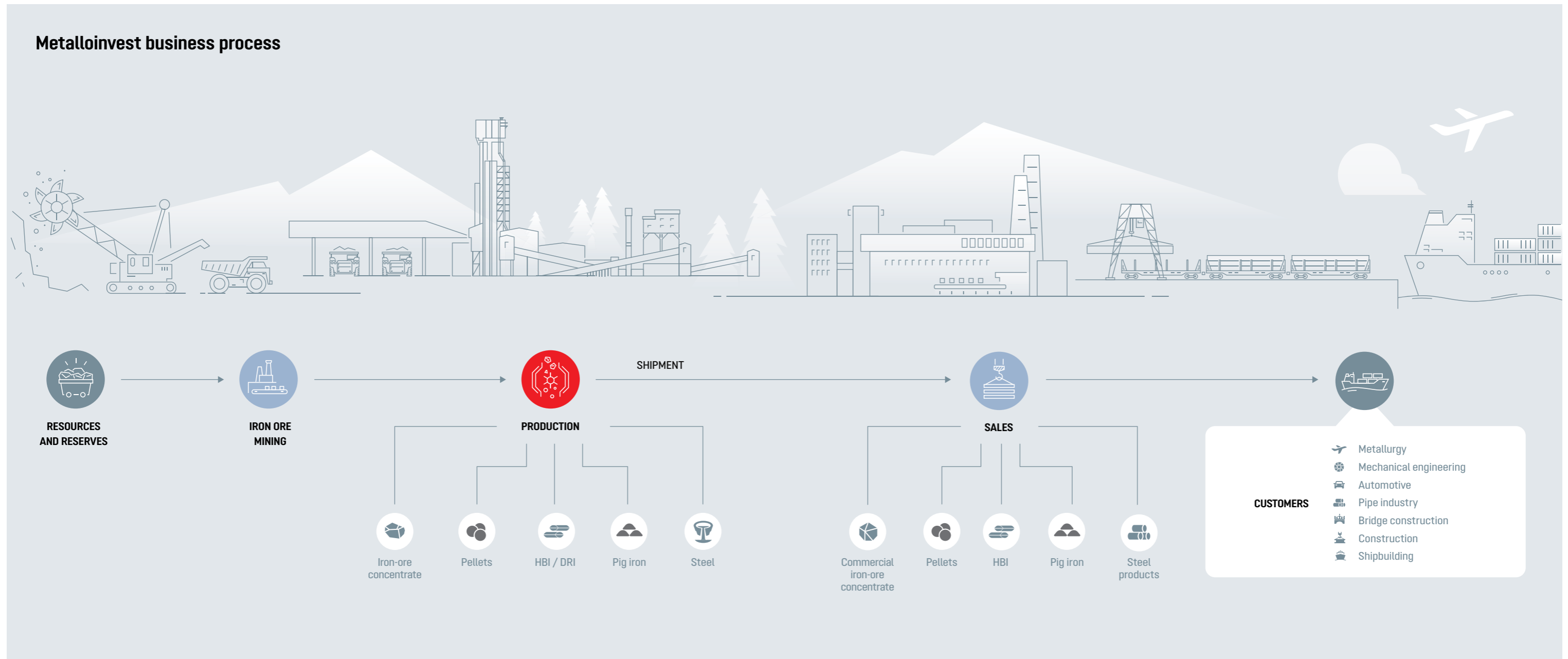
METALLOINVEST IS A MINING AND METALS HOLDING COMPANY WITH FULL-CYCLE PRODUCTION AND A HIGH LEVEL OF VERTICAL INTEGRATION.

Nº 2 GLOBAL

HOLDER OF IRON ORE RESERVES

Nº 2 GLOBAL

PRODUCER OF PELLETS BY OUTPUT



DRIVING THE EVOLUTION OF METALLURGY

ON THE VERGE OF BIG CHANGES

STRATEGIC REPORT

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- 34 Development prospects
- 40 Investment programmes and projects

Metalloinvest has adopted a development strategy aimed at increasing product quality and reducing the adverse environmental impact of its production chain.

Recognizing our responsibility to future generations, we are embarking on a journey to change modern metallurgy.

IRON ORE RESERVES

136 years

MARKET OVERVIEW

GRI 102-6



In 2020, the entire global economy faced a major challenge from the novel coronavirus pandemic. Business operations and transport flows were altered significantly, and the structure of supply and demand for finished goods and raw materials changed. Many governments increased their social spending, which inevitably led to money issuance by central banks.

Commodity markets demonstrated heterogeneous price dynamics for various raw materials. Oil prices dropped and remained below 2019 levels until the end of the year. Meanwhile, natural gas, aluminium and copper prices have increased significantly after a sharp decline in previous periods, as have iron ore prices. In H2 2020, the steel and iron-ore raw materials (IORM) sector saw a significant increase in demand and pricing as well.

Despite frequent shutoffs of supply routes (mainly due to pandemic-related factors), Metalloinvest retained its presence on all important markets. In order to maintain capacity utilisation, the Company promptly adjusted its product mix and sales map, as well as logistics chains, thus keeping steel and iron-ore raw material production levels high.

Due to the significant delayed impact of the pandemic on the global economy and the operations of certain economic entities and industries, the Company considers it premature to form a position on the prospects, trends or future business dynamics in the industries where Metalloinvest operates.

IRON ORE MARKET

The global iron ore market remains highly consolidated, with the four major players (Vale, BHP Billiton, Rio Tinto and FMG) accounting for more than two thirds of the international trade in iron-ore raw materials. The leading producers of commercial iron ore are Australia, Brazil, China, India and Russia: their share exceeds 81% of all iron ore produced in the world.

As the largest producer and supplier of iron ore products in Russia and the CIS, Metalloinvest performs regular analysis of the factors influencing the iron ore market and relies on its analytics when developing medium- and long-term Company development plans.



In 2020, basic IORM (fines with approximately 62% iron content) pricing trends were linked to epidemiological and political factors, as well as the recovery in demand for rolled products in developed countries in the second half of the year. Lower demand for IORM in developed countries, associated with a drop in demand for finished products and the shutdown

of metallurgic facilities in different countries, coincided with a decrease in supply caused by the closure of mines and logistics infrastructure. In Q1 2020, the lack of demand was offset by a natural decrease in supply. Meanwhile, starting from Q3, growing demand from China met certain product delivery challenges among several traditional suppliers.

The need to satisfy the demand for final products after several months of quarantine reduced the elasticity of demand for steel and IORM. Uncertain delivery times in foreign trade, along with the lack of inventory faced by all local production chain participants, led to a sharp increase in IORM prices.

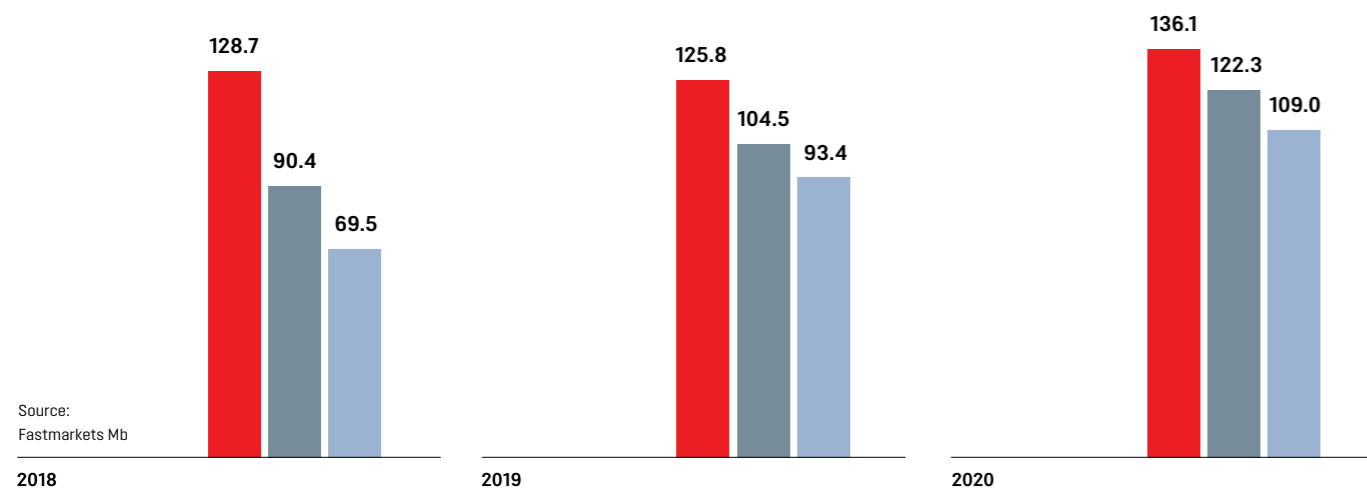
Iron ore production and consumption by region, 2016-2020 | million tonnes

| PRODUCTION | | | | | COUNTRY | CONSUMPTION | | | | |
|--------------|--------------|--------------|--------------|--------------|--|--------------|--------------|--------------|--------------|--------------|
| 2016 | 2017 | 2018 | 2019 | 2020 | | 2016 | 2017 | 2018 | 2019 | 2020 |
| 222 | 203 | 204 | 229 | 213 | China | 1,174 | 1,187 | 1,271 | 1,359 | 1,361.9 |
| 405 | 395 | 407 | 396 | 364 | Brazil | 39 | 43 | 44 | 39 | 36.5 |
| 762 | 800 | 822 | 846 | 860 | Australia | 5 | 5 | 6 | 6 | 6.8 |
| 187 | 184 | 173 | 190 | 192 | CIS | 130 | 128 | 130 | 130 | 122.6 |
| 129 | 172 | 183 | 212 | 216 | India | 128 | 139 | 155 | 165 | 157.1 |
| 3 | 3 | 3 | 2.9 | 2.9 | Japan | 132 | 129 | 127 | 122 | 101.2 |
| 43 | 39 | 46 | 47 | 36.8 | USA | 36 | 38 | 40 | 41 | 31.7 |
| 64 | 56 | 62 | 59 | 54.7 | South Africa | 8 | 8 | 9 | 8 | 4 |
| 34 | 31 | 31 | 37 | 35.6 | Europe | 159 | 163 | 160 | 153 | 131.5 |
| 36 | 32 | 31 | 30 | 32 | Central and South America (excluding Brazil) | 48 | 53 | 53 | 47 | 8.7 |
| 58 | 55 | 61 | 70 | 71.2 | North America (excluding USA) | 25 | 26 | 27 | 25 | 23.5 |
| 86 | 85 | 90 | 93 | 393.4 | Other countries | 119 | 127 | 141 | 158 | 198.5 |
| 2,029 | 2,055 | 2,113 | 2,210 | 2,472 | TOTAL | 2,002 | 2,045 | 2,162 | 2,254 | 2,184 |

Source: AME Research

Average prices, 2018–2020 | USD/tonne

- Pellets CFR Qingdao (65% Fe)
- Fines (65% Fe) CFR Northern China
- Fines (62% Fe) CFR Northern China



Confidence in price indicators on iron ore raw materials (IORM) spot markets, including Argus, The Steel Index, Fastmarkets, Mysteel, SteelHome and Platts indices, is stable. However, it would be premature to conclude

that the current IORM pricing system is stable and well established, as possible epidemiological and political risks remain, and the industry could continue to feel various consequences of the pandemic. Metalloinvest

monitors the situation on different regional markets and takes steps to develop an appropriate sales and production tactic, as well as to determine optimal prices for its products.

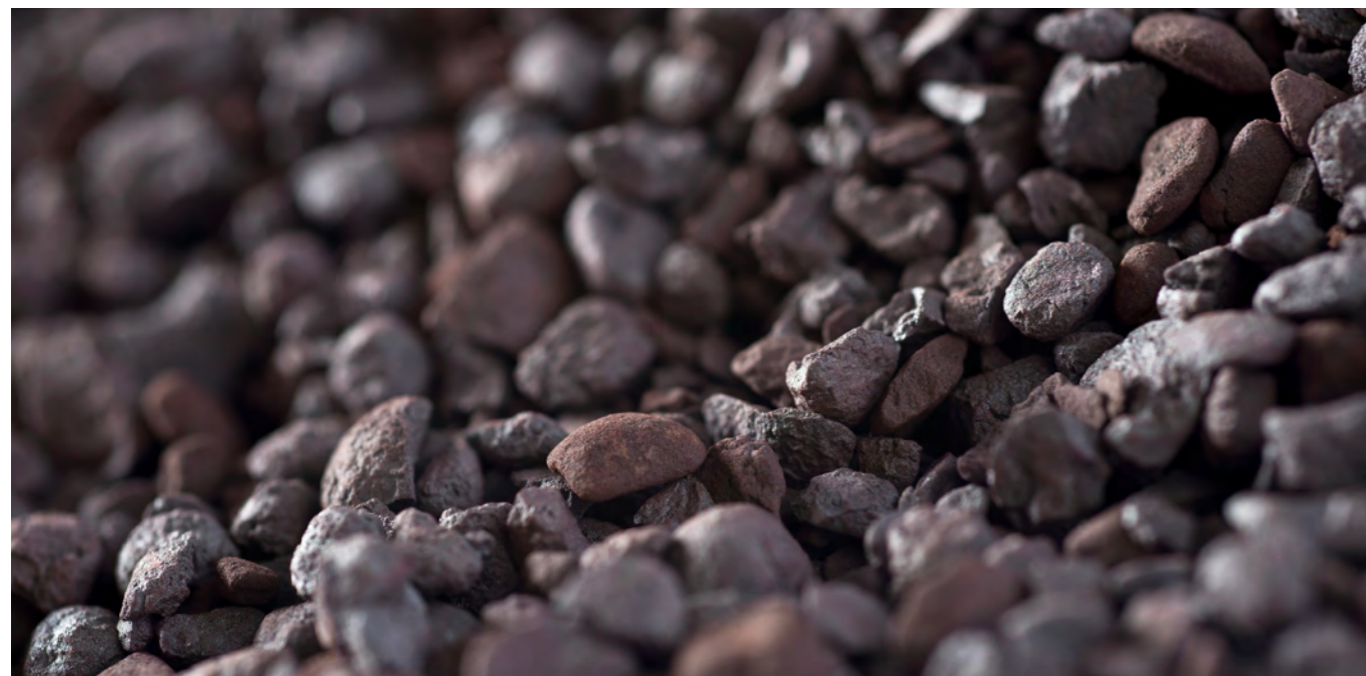
PELLETS MARKET

Blast furnace pellet production, 2018–2020 | million tonnes

| REGION | 2018 | 2019 | 2020 |
|-----------------|--------------|--------------|--------------|
| Australia | 3.6 | 3.5 | 3.9 |
| Brazil | 29.9 | 19.4 | 16.3 |
| India | 32.5 | 34.2 | 37.0 |
| Kazakhstan | 4.5 | 5.5 | 7.0 |
| Canada | 16.8 | 18.9 | 18.4 |
| China | 119.3 | 123.7 | 129.7 |
| Mexico | 8.3 | 8.8 | 8.8 |
| The Netherlands | 4.4 | 4.4 | 4.0 |
| Other | 0.7 | 0.8 | 0.8 |
| Russia | 40.4 | 40.2 | 40.3 |
| USA | 49.3 | 46.5 | 38.3 |
| Ukraine | 20.8 | 17.5 | 17.2 |
| Chile | 3.2 | 1.0 | 3.0 |
| Sweden | 16.9 | 17.0 | 17.8 |
| Japan | 3.0 | 3.0 | 3.0 |
| TOTAL | 353.6 | 344.4 | 345.5 |

Source: AME Research

According to AME Research, the global production of blast furnace pellets increased by one million tonnes, reaching 345.5 million tonnes in 2020. The largest producers are countries that mainly produce pellets to meet the needs of local steel mills: China, the USA, India, Russia, Ukraine and Mexico. The specific outputs of certain types of IORM in 2020 vs. 2019 were determined by external conditions, the development of the pandemic, and measures taken by national governments to combat it. The ultimate growth in production volumes in 2020 has allowed us to conclude that the global mining and metals industry is now rather stable.



HOT BRIQUETTED AND DIRECT REDUCED IRON MARKET

HBI/DRI is an important component in the production of high quality steel, contributing to the environmental friendliness of metallurgical production.

In 2020, global HBI/DRI production decreased for the reasons mentioned above. However, Metalloinvest maintained a stable output level, which is indicative of the Company's reliability as an independent manufacturer and the stability of the Russian market's infrastructure in terms of steel and raw materials production, transportation, and consumption. The long-term strategy of the Company — focused on growing the production of iron ore and metallised products with high added value, primarily HBI/DRI and pellets — remains unchanged.

Metalloinvest enjoys access to high-quality raw materials and the gas pipeline system of the Russian Federation, which ensures uninterrupted supply of natural gas for direct iron reduction. This allows the Company to produce high-quality HBI/DRI with minimal negative impact on the environment. Apart from direct access to the entire resource base, the Company also has a full range of HBI/DRI production competencies.

In 2020, the Company reduced production of HBI/DRI by 73,000 tonnes. Shipments to external consumers increased by 138,000 tonnes, or 3.2%.

The Company's position on the HBI market is stable. According to expert estimates, Metalloinvest's share of the global market for commercial HBI increased slightly in 2020. This was associated with the challenges faced by DRI/HBI producers and consumers during the global pandemic.

HBI/DRI production in 2018–2020 | million tonnes

| COUNTRY | 2018 | 2019 | 2020 |
|--------------|-------------|-------------|-------------|
| Argentina | 1.6 | 1 | 0.53 |
| Venezuela | 0.4 | 0.4 | 0.28 |
| Egypt | 5.8 | 4.4 | 4.8 |
| India | 34.2 | 36.9 | 33.1 |
| Iran | 25.7 | 27.7 | 31.5 |
| Canada | 1.7 | 1.4 | 1.2 |
| Qatar | 2.5 | 2.4 | 0.76 |
| Libya | 0.6 | 0.9 | 0.8 |
| Mexico | 6 | 6 | 5.3 |
| UAE | 3.8 | 3.7 | 3.0 |
| Russia | 8 | 8 | 8 |
| Saudi Arabia | 5 | 4.6 | 5.2 |
| South Africa | 0.8 | 0.7 | 0.18 |
| TOTAL | 96.1 | 98.1 | 94.4 |

Source: WSA and Metalloinvest

STEEL MARKET

According to WSA, 2020 global production of crude steel decreased by 1%, or by 17 million tonnes. China, Iran, Pakistan and Vietnam saw a growth in steel production. Steel exports from China continued to decline, amounting to 53.68 million tonnes. The 60% increase in imports of semi-finished steel products and rolled products to China should also be mentioned. Total imports exceeded 20 million tonnes; thus, net steel exports from China decreased by 17 million tonnes in 2020 compared to 2019.

Metalloinvest is a leading regional producer of niche rolled products. In 2020, the Company retained its share of Russian steel production. However, a sharp change in supply and demand for rolled products due to the pandemic and logistical issues necessitated constant operational changes in production and sales. This situation was complicated by emergency anti-pandemic measures taken by the Company to safeguard the health and safety of its personnel. The Company considers the increase in steel output by 99,000 tonnes (or 2%) vs. 2019 a success, being proof of the sustainability of production, as well as sales and management structures.

Steel production in 2015–2020 | million tonnes

| REGIONS | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Africa | 13.1 | 15.1 | 16.1 | 17.0 | 12.6 |
| Middle East | 31.5 | 34.5 | 38.0 | 45.3 | 40.7 |
| Europe | 199.8 | 210.7 | 210.0 | 198.4 | 177.6 |
| China | 807.6 | 870.9 | 928.3 | 996.3 | 1,053 |
| Pacific Islands | 5.8 | 6.0 | 6.3 | 6.2 | 6.1 |
| Other countries in Asia | 316.3 | 332.3 | 342.7 | 345.2 | 298.1 |
| North America | 110.6 | 115.4 | 120.5 | 120.0 | 101.1 |
| CIS | 102.1 | 100.9 | 101.3 | 100.4 | 101.8 |
| Central and South America | 40.2 | 43.7 | 44.3 | 41.2 | 38.2 |
| TOTAL | 1,627.0 | 1,729.9 | 1,807.5 | 1,870.0 | 1,829.1 |

Source: WSA and Metalloinvest

Due to the continuing COVID-19 pandemic and the uncertainty of vaccine availability in various countries, predicting Metalloinvest sales on the rolled steel market would be impractical. The Company has maintained its relationships and connections with all of its consumers, and it is exploring new opportunities to transform production.

SBQ LONG PRODUCT MARKET

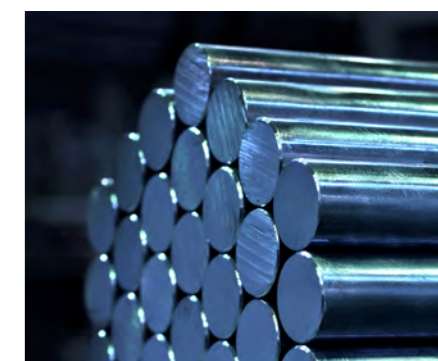
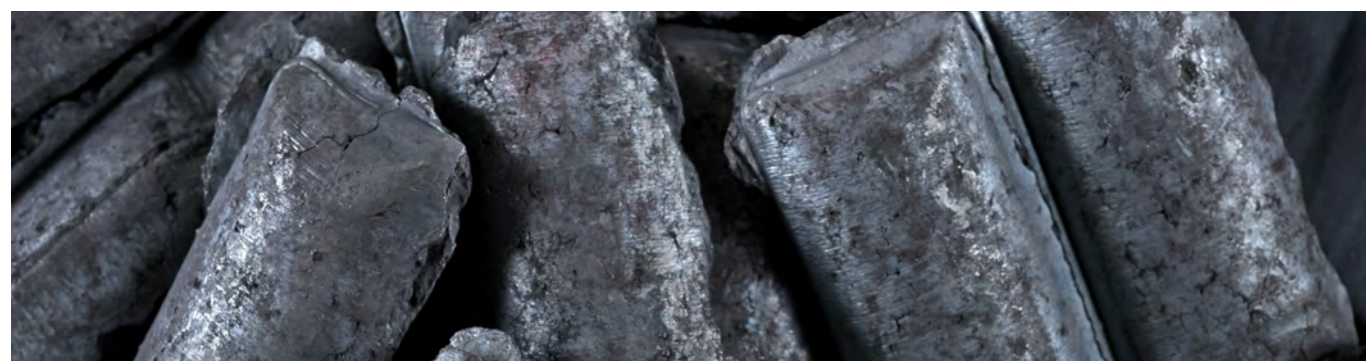


The production of special bar quality (SBQ) long products was negatively affected when the Company's main consumers halted the manufacture of final products derived from SBQ steel (mechanical engineering products). The engineering steel market was also adversely impacted by the sharp spike in the rate of quota utilisation for group 12 rolled steel products as per the categorisation established by protective measures of the European Union.

The Company is working to remedy the situation. In light of continued global trade restrictions and protectionist policies, a slight decrease in the Company's output of high-quality rolled products from 939,000 to 904,000 tonnes can be deemed successful.

SBQ shipments from OEMK, 2015–2020 | thousand tonnes

| 2018 | 2019 | 2020 |
|-------|------|------|
| 1,086 | 939 | 904 |



DEVELOPMENT PROSPECTS

STRATEGIC MILESTONES IN 2020

PRODUCTION AND FINANCE

- Boosting production and enhancing the quality of iron ore concentrate, pellets, and HBI
- Increasing SBQ production and enhancing quality to meet growing customers' expectations
- Centralising research and development (R&D) management
- Developing the Business System
- Achieving sustained leadership on the bridge steel market
- Achieving normalised EBITDA growth at 3% per year¹¹
- Creating and developing an engineering design centre

TRANSFORMATION OF BUSINESS PROCESSES

- Improving the efficiency of key processes
- Improving accuracy of planning
- Reducing costs
- Improving operational control
- Shortening approval time of documents
- Optimising inventory
- Ensuring real-time access to information
- Reducing the number of management levels
- Improve the controllability rate
- Developing the insourcing company Metallo-Tech LLC
- Developing the Innovation Center together with SAP and Accenture

ENVIRONMENTAL PROTECTION

- Achieving a 7% reduction of air emissions
- Completely transitioning MGOK and OEMK to a self-contained water recycling system, eliminating wastewater discharge into bodies of water
- Transitioning LGOK to a self-contained water recycling system with a 50% reduction of wastewater discharge into bodies of water
- Achieving 100% recycling of technological waste and materials (excluding overburden and tailings at LGOK and MGOK)
- Reducing overburden formation at LGOK and MGOK by 33% through construction of conveyor units
- Reducing greenhouse gas (CO₂ equivalent) emissions among consumers of Metalloinvest iron ore products by one million tonnes

OCCUPATIONAL HEALTH AND SAFETY

- Ensuring safe work conditions, preserving employees' life and health
- Reducing frequency of accidents, injuries, and occupational diseases
- Maintaining a leading position among Russian mining and metallurgical companies, ensuring compliance with world-class industrial safety standards and production culture
- Strengthening the Lost Time Injury Frequency Rate (LTIFR)

DIGITAL TRANSFORMATION

- Implementing SRM, CRM, and PPM¹² functional processes
- Implementing a comprehensive project on inventory management and internal logistics
- Optimising integrated planning processes
- Implementing big data, machine learning, digital modelling, augmented reality, autonomous machines, and industrial Internet of things



The impact of COVID-19 on the Company's activities¹³

The pandemic has affected demand and led to increased market volatility. Likewise, the existing framework for ensuring supply chain stability was disrupted, and HR management faced certain challenges. However, thanks to well-chosen strategies for managing each of these risks, the Company took prompt and comprehensive action to respond to the consequences of the pandemic, which allowed it to maintain the continuity of its business processes.



The COVID-19 pandemic has clearly demonstrated the value of the social partnerships formed at our enterprises and in the regions of our operation over the years. Direct, constructive dialogue with stakeholders has allowed Metalloinvest to quickly restructure and adapt to new challenges.

Maintaining the production programme in full and maximising employee protection have been the Company's top priorities during the pandemic. In March 2020, operational headquarters were established to monitor all factors related to the spread of COVID-19.

In April, Company management decided to grant each employee RUB 10,000 to purchase personal protective equipment. Individual protective kits were also handed out, including reusable face masks, gloves, antiseptics and antiviral drugs. Employees whose physical presence at the workplace was not strictly necessary for the production process, as well as risk group employees, were transferred to remote work. Business contacts were minimised. A corporate sanitary and epidemiological service was set up, and diagnostic laboratories were deployed at the enterprises.

¹¹ Without taking incidental factors, exchange rate differences, and market volatility into account.

¹² SRM – Supplier Relationship Management. CRM – Customer Relationship Management. PPM – Project and Programme Management system.

¹³ See more details in the Social support for employees and External programmes and philanthropy sections of the Sustainability Report [↗](#).

Summary of the digital transformation results as at the end of 2020

Investments made in digital transformation projects in 2020 came to about RUB 1.1 billion.¹⁴ These included Industry 4.0 projects and robotisation of routine operations at Metalloinvest Corporate Service LLC (more than 30 robots were deployed).

INDUSTRY 4.0 GOALS

- Enhance business process efficiency
- Reduce labour costs related to operations
- Improve accuracy of planning and control over execution
- Ensure accounting transparency and more prompt decision-making
- Reduce costs through an integrated financial and business management system (IFBMS) based on SAP S/4HANA

Metalloinvest has been implementing a comprehensive transformation program, Industry 4.0, since 2016, which focuses on business process digitization.



THE FOLLOWING DIGITAL TRANSFORMATION PROJECTS WERE ALSO LAUNCHED:

- Implemented a mining and geological information system (3D modeling technology)
- Prepared Lebedinsky GOK for the transition to tax monitoring
- Developed dashboards for top management
- Implemented a vendor relationship management system
- Automated goal management
- Automated the goal-setting process for employees
- Introduced direct exchange of payment documents with banks
- Developed a working plan for OEMK
- Introduced Sprut TP software
- Improved the geo-diversity of the IFBMS
- Launched a backup data center
- Modernised the infrastructure of Lebedinsky GOK and Mikhailovsky GOK
- Implemented a consolidated information system for subsidiaries and affiliates
- Implemented phases 1 and 2 of the Management Reporting project
- Launched a project to improve the Automated Occupational Safety Management System
- Established a call centre at the shared services centre
- Developed the IFBMS
- Implemented electronic document management (for source accounting documents)
- Developed the prototype and methodology for a financial model
- Conducted EBITDA factor analysis
- Developed a corporate mobile application
- Standardised and unified data from Rudstroy LLC and the City Institution for Designing Metallurgical Plants LLC (Gipromez) with ENS MTR and ESK, integrated operational processes
- Launched the Budgeting, Analytical Reporting, and the International Financial Reporting Standards (IFRS) Consolidation modules
- Launched a backup data centre

THE FOLLOWING PILOT PROJECTS WERE INTRODUCED IN 2020:

- Launched a contractor surveillance system designed to improve workplace safety, facilitate high-quality and timely management decisions, an enable verifying declared vs. actual headcount.
- Launched a railway control system designed to reduce the workload on dispatchers, improve the safety of ore transportation, enhance the flexibility of operational planning for traction units, and send notifications of idle and defective equipment.
- Launched a neural network for package recognition at SPC-1 (long product rolling mill) that prevents metal mixing, reduces the number of defective products, improves the quality of finished products, reduces the workload on operators, and mitigates the impact of the human factor on the production process

In the second half of 2020, the Company developed a digital transformation programme for 2021-2023, investing up to RUB 1.6 billion into the Company's key functions, including metallurgical and mining production, economics, procurement and sales, financial and tax accounting, IFRS, personnel management, security, investments, HSE, social policy and corporate communications.

¹⁴ According to management reporting.

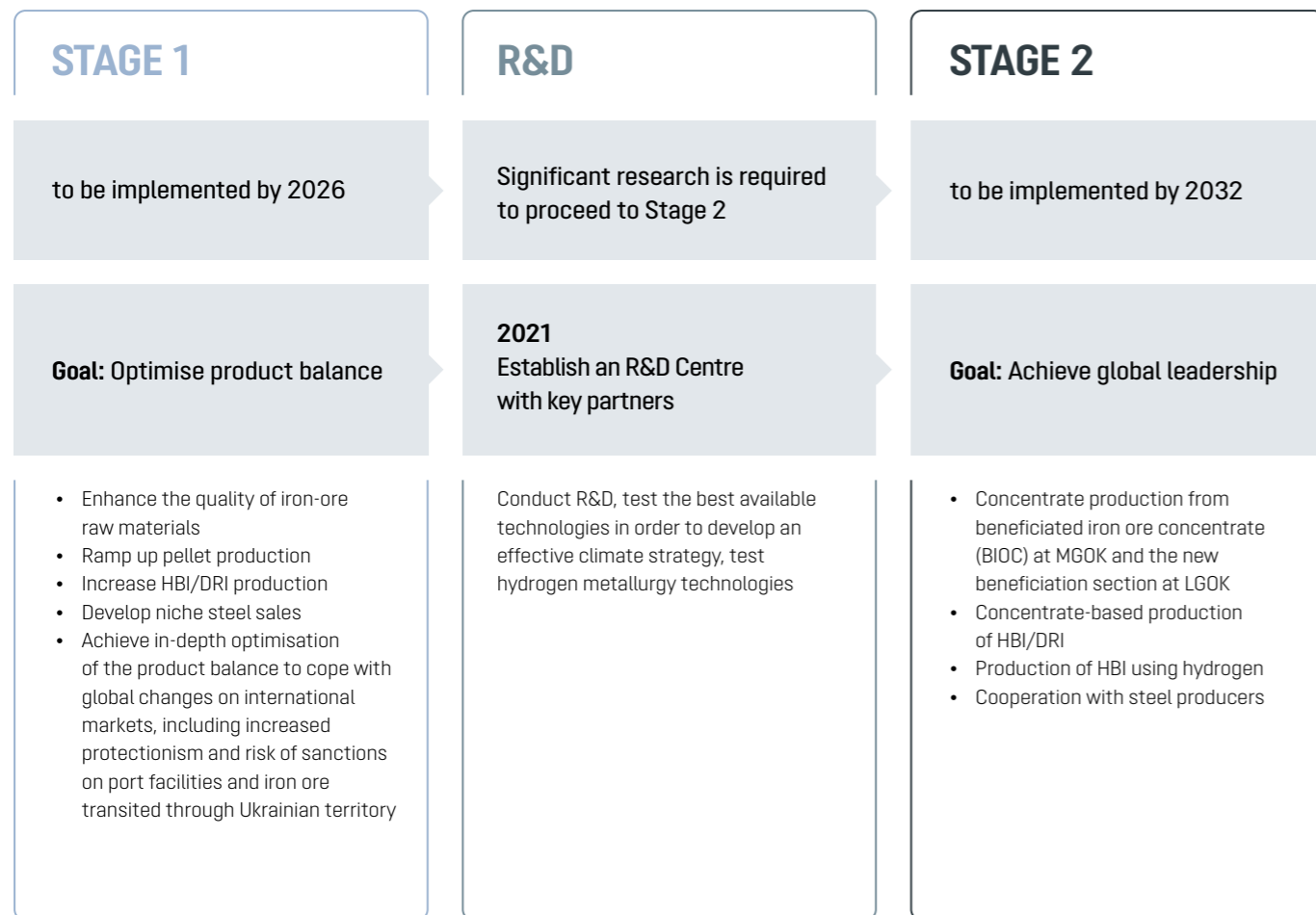
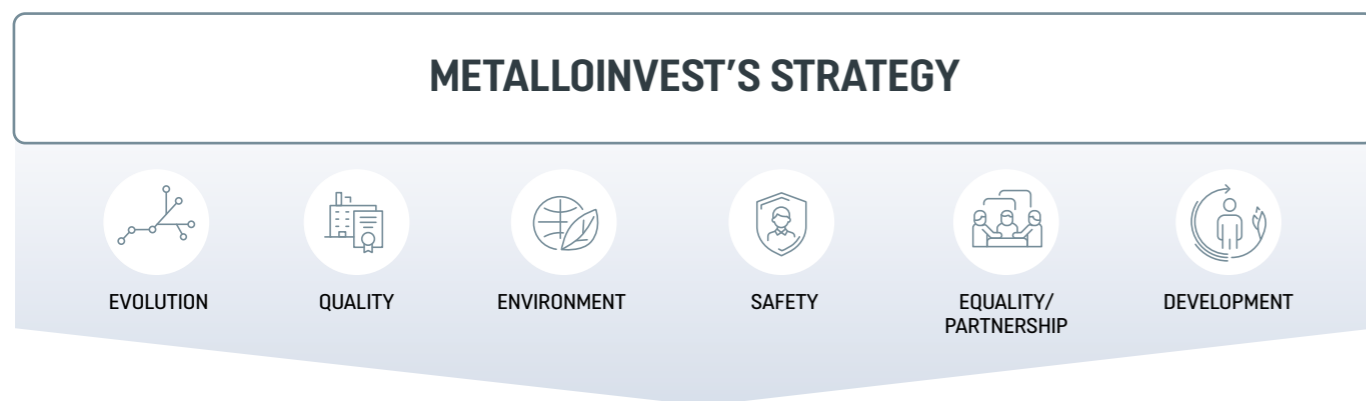
UPDATED STRATEGY AND PROSPECTS UNTIL 2032

Every year, the Metalloinvest Board of Directors adjusts its strategy to account for recent changes in technology, demand for the Company's products, and environmental requirements for ensuring supply chain security. The strategic priorities of the Company were updated based on the results of the reporting year¹⁵ and consolidated in

the renewed business strategy. Two planning horizons were also established: 2026 and 2032.

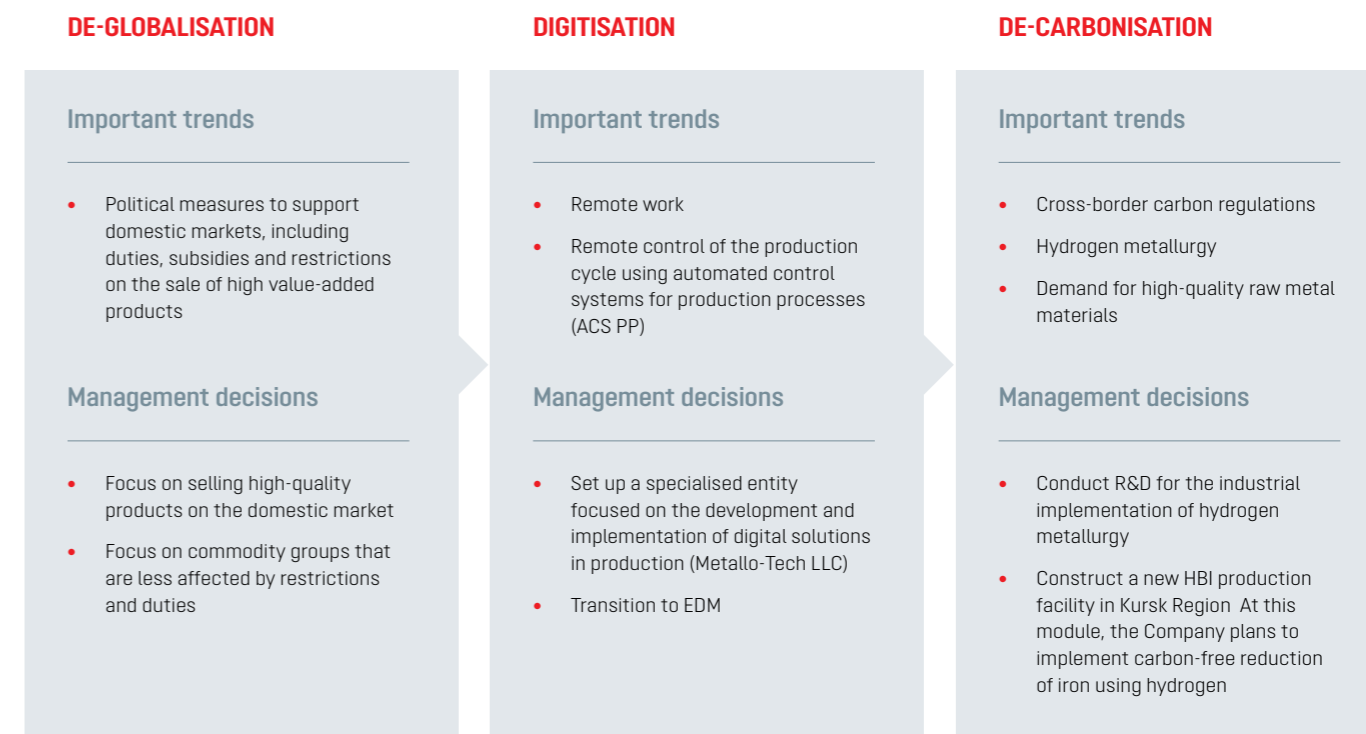
In the medium term, the Company will continue to implement ongoing projects whose technological, economic and market feasibility has been verified. There are

also long-term plans for projects with high potential that harness global trend towards environmental neutrality in metal production. The achievement of long-term goals will depend on the results of research, which will allow the Company to choose the optimal technological solutions.



¹⁵ Post-balance sheet event: The updated Strategy for the period until 2026 was adopted by the Board of Directors in February 2021.

The updated strategy identified three global trends that will have a significant impact on the future of the Company.



Plans for 2021

The goal of the updated strategy is to maximise the benefits of low-carbon technologies in the iron recovery process.

Thanks to the upgraded DRI and HBI production chains at OEMK and LGOK respectively, Metalloinvest can already boast the lowest CO₂ emission levels in the industry. Investments in production modernisation have allowed the Company to increase its economic and environmental efficiency by almost 30%. Metalloinvest is currently developing a climate strategy that aims to efficiently reduce the carbon footprint of its products.¹⁶



¹⁶ For more information, see the Climate strategy section of the Sustainability Report [↗](#).

INVESTMENT PROGRAMMES AND PROJECTS

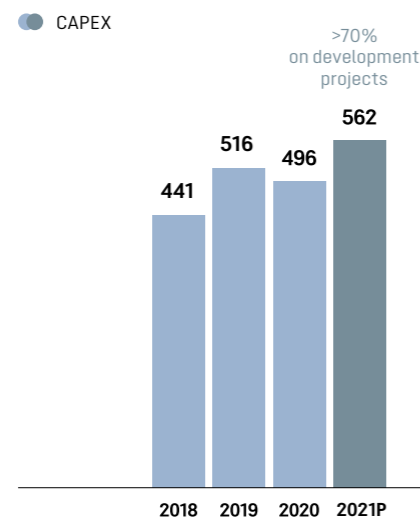


USD 496 MILLION

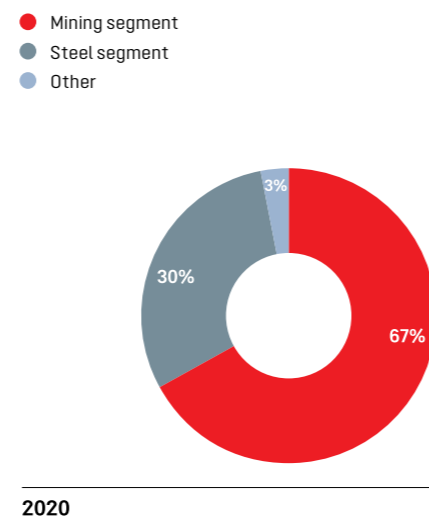
THE FINANCING OF THE CAPEX PROGRAMME'S PRIORITY AREAS IN 2020

To achieve its strategic priorities, Metalloinvest must invest efficiently. For this reason, the Company performs long-term, balanced investment activities based on its sources of capital and in line with its mission and long-term strategic goals. The goals, principles, focus areas, and key participants of these investment activities are described in Metalloinvest's corporate regulations.

CAPEX, 2018-2020 | USD million



Structure of CAPEX in 2020



Other CAPEX programmes

- Integration of the business transformation programme to create an integrated financial and business management system based on Industry 4.0 projects through a RUB 847 million investment
- Social projects dedicated to combating the consequences of COVID-19, including an investment of RUB one billion in measures aimed at safeguarding employees' health, and RUB two billion in measures aimed at supporting regional healthcare facilities



REGULATION ON INVESTMENT MANAGEMENT

Describes the principles of investment activities, phases, areas of investment, and main participants



SEPARATE REGULATIONS GOVERNING PROJECT ACTIVITIES AND THE IMPLEMENTATION OF MAJOR COMPREHENSIVE PROGRAMMES

Describes the approach to detailed project proposals and design of technological solutions



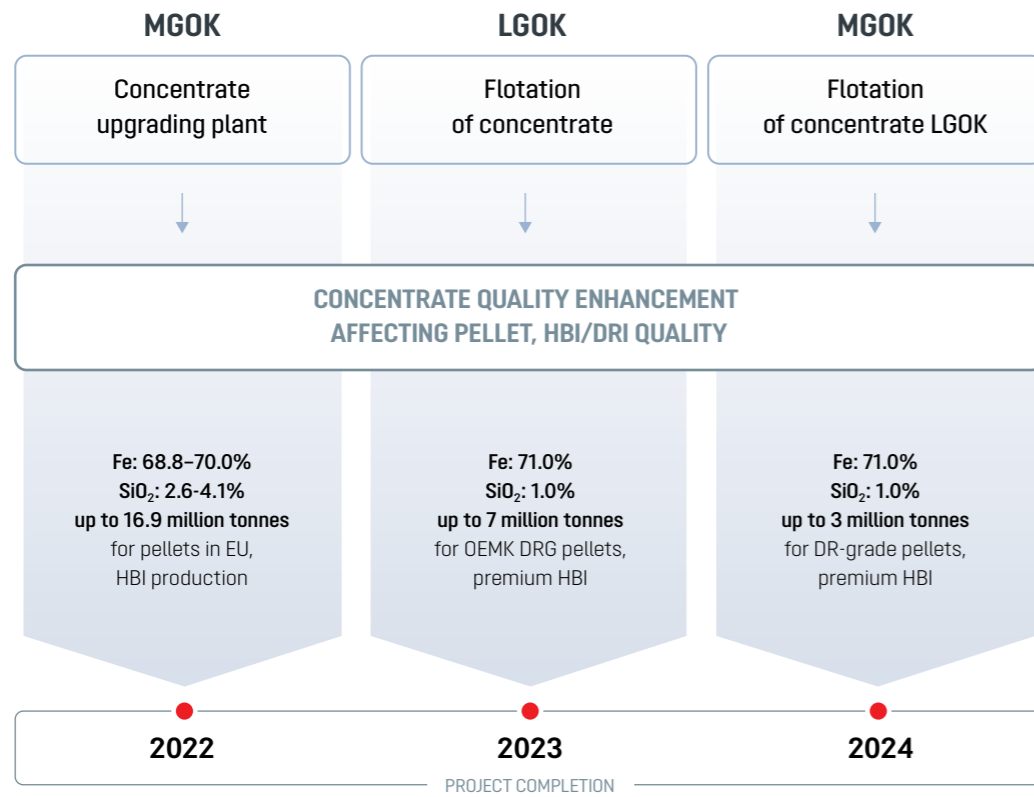
SPECIAL METHODOLOGIES

Methodology for Assessing the Efficiency of Investment Projects and Conducting Post-Investment Control, Methodology for Investment Project Risk Management

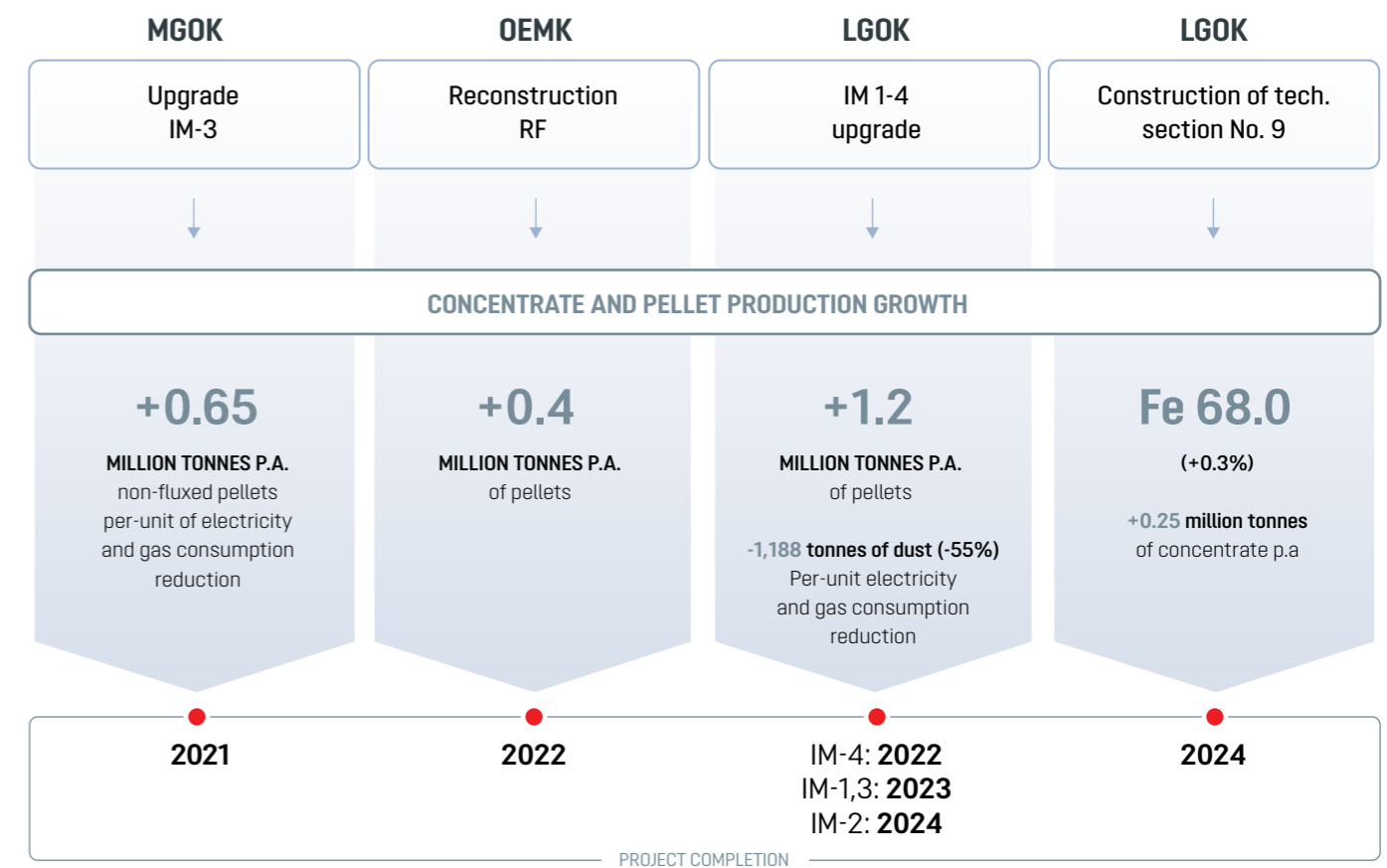


KEY INVESTMENT AREAS IN 2021-2025

IORM quality enhancement

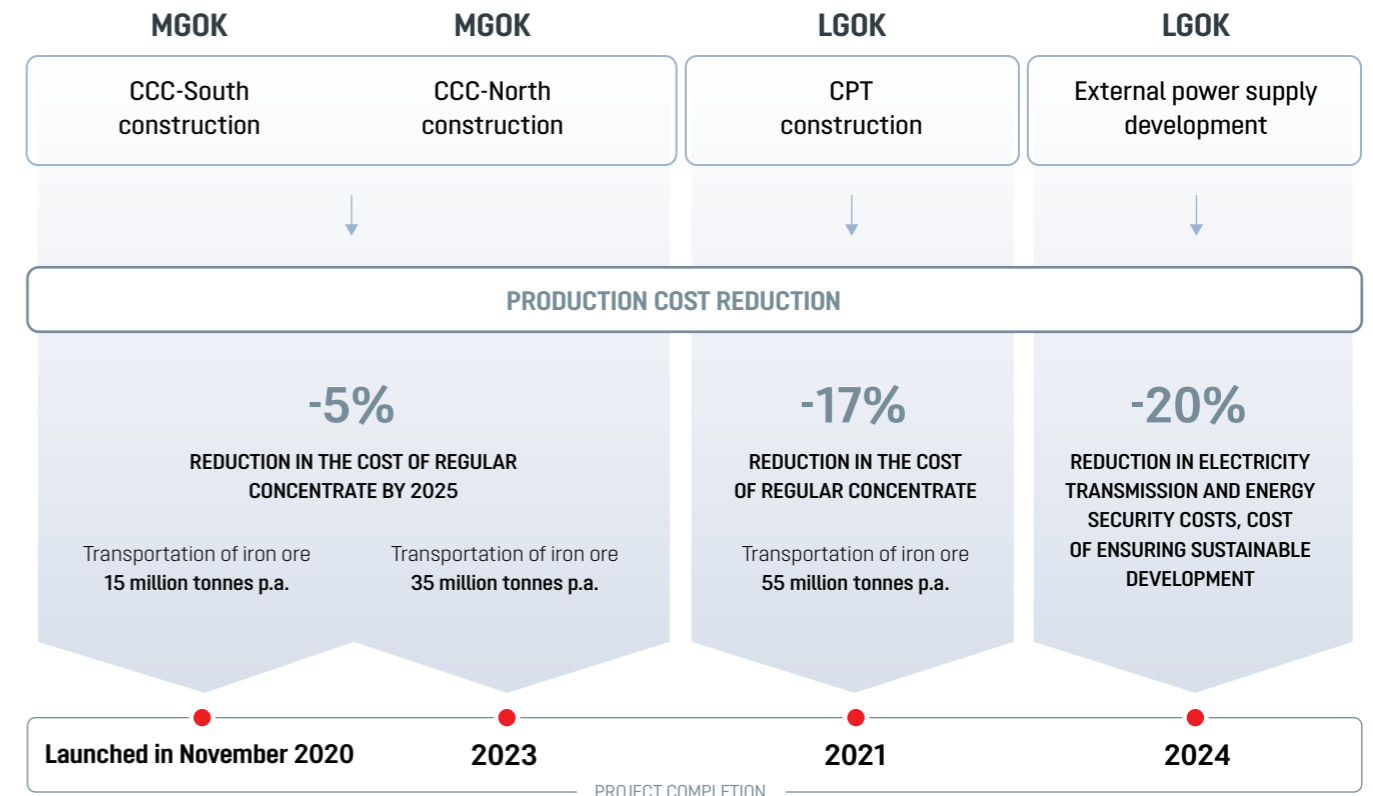


Production growth and pellets quality enhancement

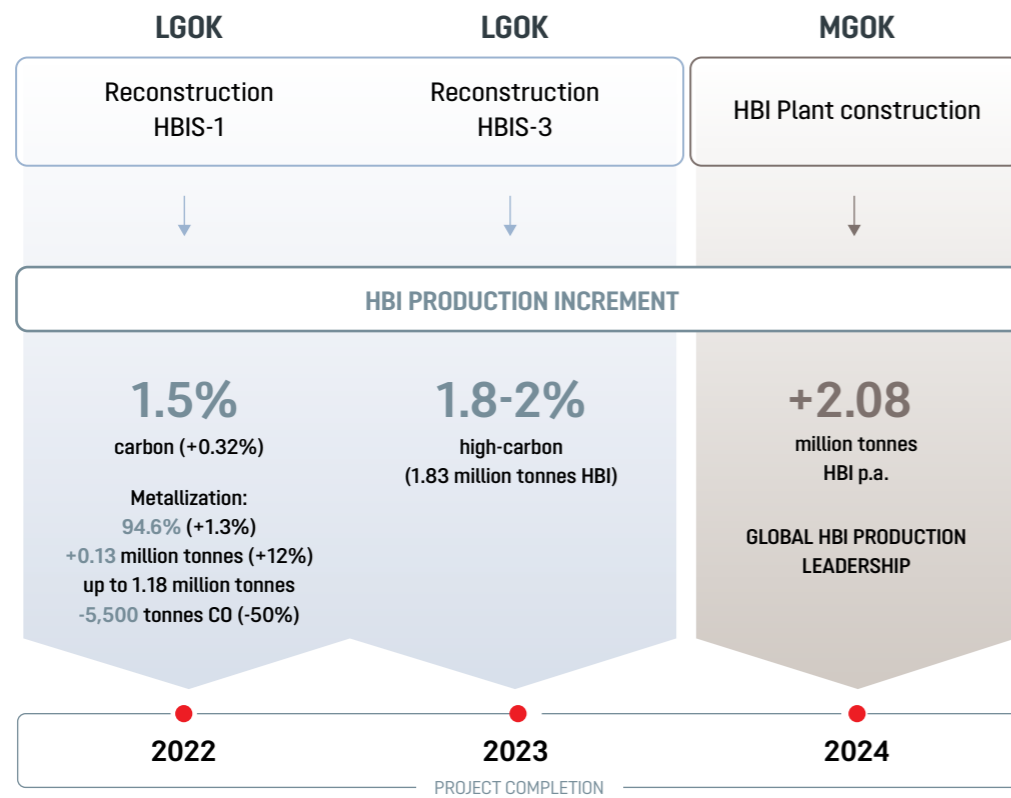




Cost reduction and increasing the stability of mining production



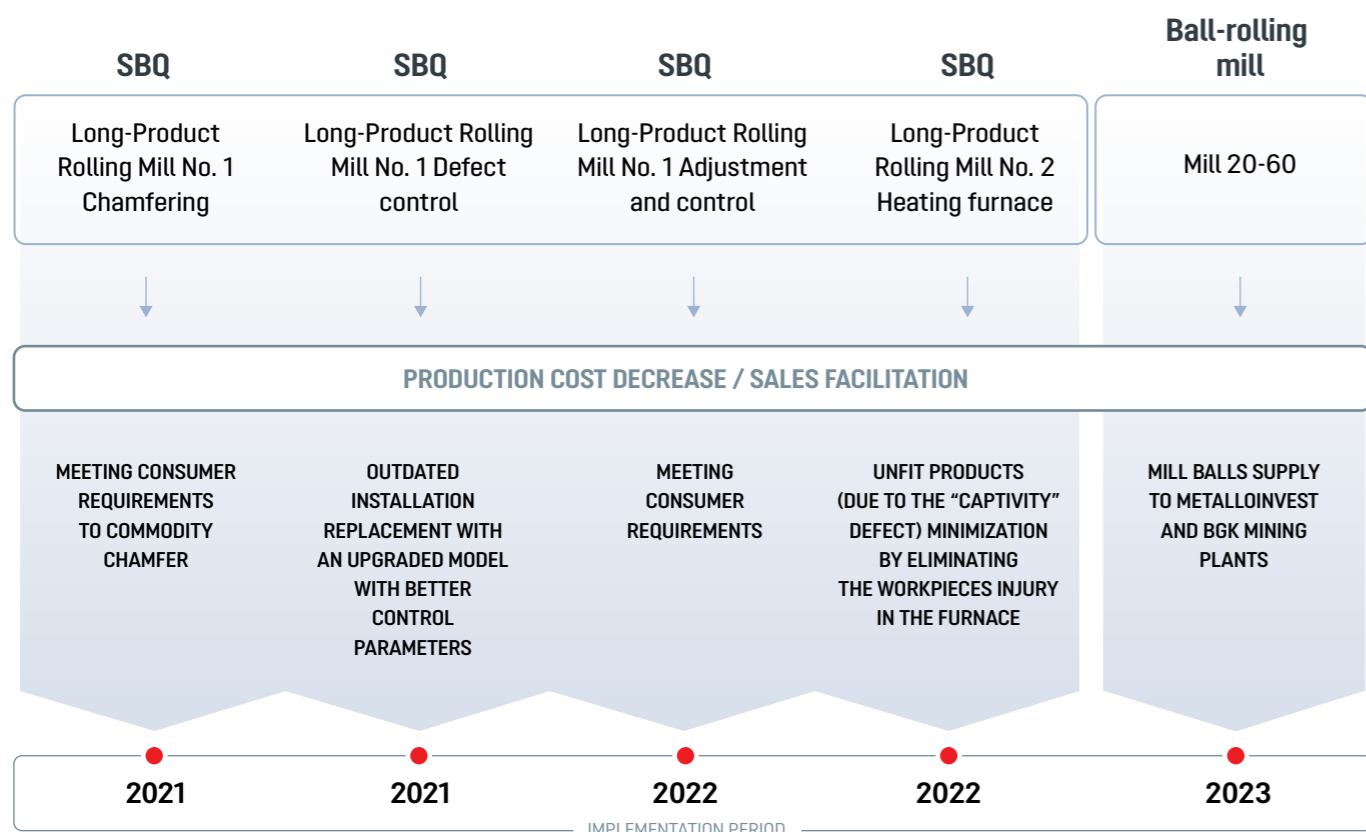
HBI production growth and quality enhancement¹⁷



¹⁷ The project is being implemented by Mikhailovsky HBI, a company established by the USM Group (55%) and MGOK (45%).



Cost reduction and increasing the stability of metallurgical production



SHARED PROJECTS WITHIN THE INVESTMENT PROGRAMME

In addition to targeted development programmes at production sites, Metalloinvest is implementing a number of comprehensive projects aimed at improving operational efficiency across the Company.

Laboratories

Basic and applied research is an integral part of the Company's production cycle, and it is a key focus area of its long-term Development strategy 2032.

Metalloinvest is carrying out full-cycle of research on best available technologies in metallurgical production at four specialised R&D centres:

- A joint R&D development centre with the National University of Science and Technology (MISIS)
- A steel-making laboratory at OEMK
- Laboratories performing research on the metallurgical properties of iron ore products at LGOK and MGOK

Transformation of the Maintenance and Repair System

Metalloinvest has launched a comprehensive, cross-functional Maintenance and Repair System (MRS) transformation programme that covers all of the Company's subsidiaries. The main goals of the programme are to improve the technical readiness of equipment, optimise service standards, increase the productivity of maintenance personnel, and optimise inventory. In the long term, this will reduce downtime caused by equipment malfunctions and increase production volumes.

The Company is planning to implement staff competency assessments and competency development management; introduce life-cycle cost-effectiveness management for equipment; develop analytics; apply best practices for the digitisation of maintenance and repair activities; develop mechanisation and automation; and use advanced materials, equipment, and technology to facilitate repairs and the manufacture of spare parts. The cumulative economic effect of the programme is expected to exceed RUB four billion by 2023.

Environmental Programme

In 2020, the Board of Directors approved the key KPIs of the Environmental Programme until 2025.¹⁸



¹⁸ For more information, see the Environmental Programme section of the Sustainability Report [↗](#).

MAJOR INVESTMENT PROJECTS UNDER THE ENVIRONMENTAL PROGRAMME TO BE IMPLEMENTED AT THE COMPANY'S ENTERPRISES IN 2021



- Purchase additional irrigation equipment or specialised equipment
- Launch an investment project to replace the gas cleaning system of the mobile crushing and screening plant (CSP) (2021–2024)
- Launch an investment project aimed at modernising the HBI gas cleaning equipment (2021–2024)
- Launch an investment project aimed at replacing gas cleaning equipment servicing conveyors and crushers (2021–2024)
- Reconstruct the roast machine at the pelletizing plant (RM PP) (2018–2026)
- Overhaul gas cleaning equipment at the indurated pellets site (2021–2022)
- Complete construction of the CPT



- Conduct technical re-equipment of the gas cleaning equipment on crushing and screening plant (CSP) furnaces (seven drying drums) (2021–2024)
- Construct a technical water supply system for CSP (continued implementation)
- Reconstruct the drainage water conduit Shaft No. 5 Site – Tailing Dump (continued implementation)
- Purchase a mobile environmental laboratory
- Construct a site for cutting and storing scrap materials from ferrous metals at the Spare Parts Production Administration
- Build up the tailings storage facility enclosure structures (implemented annually)
- Construct a crushing and conveying facility (CCF) on the northeast wall of the open pit (2021–2023)
- Equip stationary emission sources with automatic control devices (2019–2020)
- Construct a wet magnetic enrichment unit (2019–2022)
- Modernise the thermal scheme and gas-air ducts of roast machine No. 1 at the pelletizing plant (2019–2023)



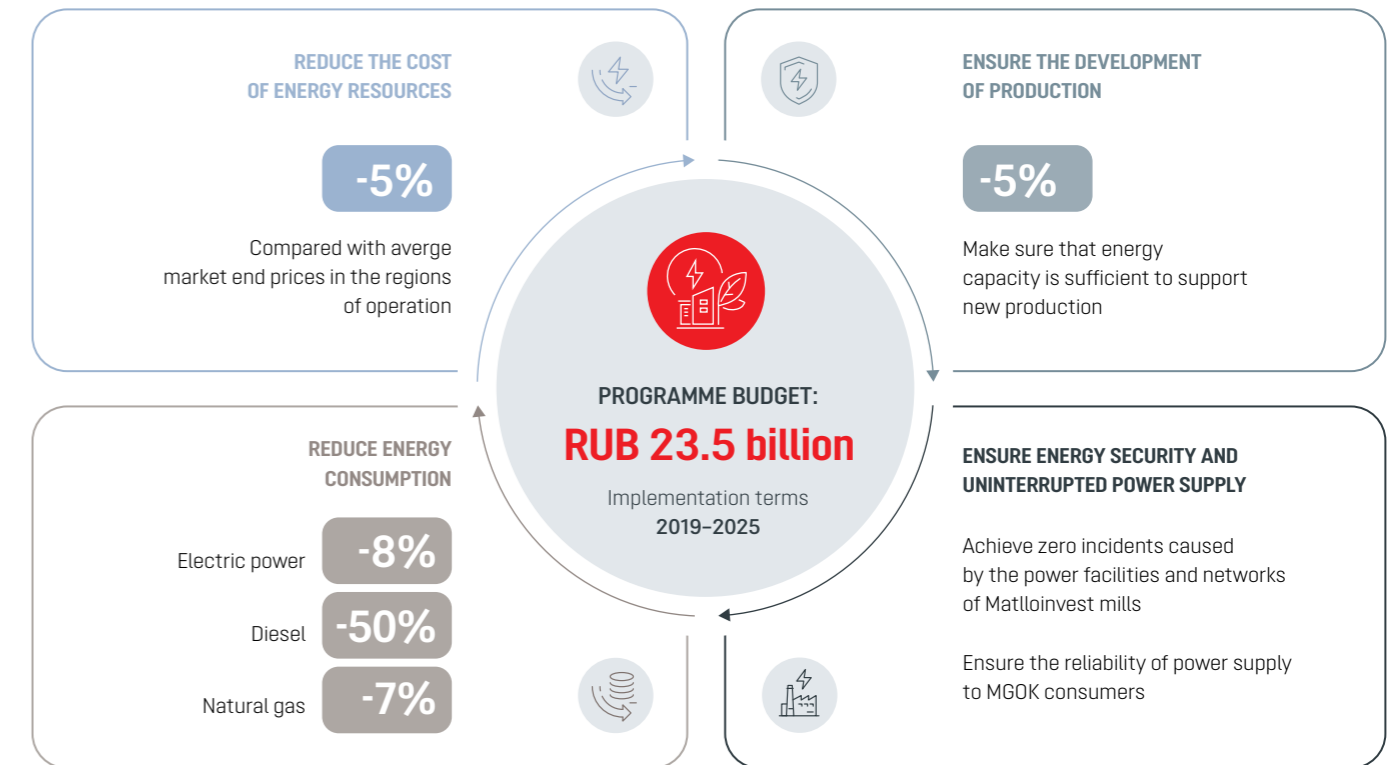
- Launch an investment project aimed at replacing the UG-2 electronic filter at the bentonite preparation plant (pellet and metallisation plant) (2021–2022)
- Implement a hydro-transport water return system at LGOK (2020–2024)
- Purchase a spectrophotometer DR/3900 LPV440.98.00001 and a gas analyser DAG-500



- Launch an investment project to construct a DalamicDSM DLM type de-dusting unit for the regeneration of moulding sand at the large-size casting area
- Reconstruct the casting yards of BF No. 2, 3 with aspiration air cleaning on gas cleaning units (including aspiration of the bell-less top of BF No. 3) (2020–2024)
- Reconstruct and modernise the gas cleaning equipment at the electric furnace shop, as well as aspiration systems (2021–2024)
- Reconstruct aspiration systems and AC bowl cooler sintering gas cleaning systems (2021–2026)
- UKGL. Construct a system for collecting dust from the knock-out grid (2021–2022)
- Construct a system for collecting dust from equipment charging burden material at BF No. 2 (2021–2024)
- Purchase a mobile ecological laboratory
- Implement a system of automatic control over pollutant emissions (2021–2026)

ENERGY EFFICIENCY PROGRAMME

A comprehensive programme aimed at improving the energy efficiency of production at Metalloinvest enterprises was developed for the period until 2025. The programme's objectives are to reduce electricity and gas consumption by 8% and diesel consumption by 48% (vs. the 2017 baseline).¹⁹



MEDIUM-TERM DEVELOPMENT PLANS

In the medium term, the Company plans to implement the following projects:

- Implement an ultrasonic control system in the rolled products finishing shop
- Replace the non-destructive internal defects control unit of control line No 2
- Replace non-destructive internal defects control and elimination units No 1 and 2
- Install chamfering equipment

¹⁹ For more information, see the Energy Consumption and Energy Efficiency of the Sustainability Report [↗](#).

DRIVING THE EVOLUTION OF METALLURGY

NEW HORIZONS OF TECHNOLOGY

RESULTS OF THE COMPANY'S OPERATIONS

52 Operating results

60 Financial results

The company focuses on developing the production of high quality raw materials for the evolution of metallurgy. Changing standards and staying loyal to its principles, Metalloinvest strives for new effective solutions in production and distribution.

IRON ORE OUTPUT | TONNES

40.4 million

PELLET OUTPUT | TONNES

27.6 million

HBI/DRI OUTPUT | TONNES

7.8 million

STEEL OUTPUT | TONNES

5.0 million

Contribution to UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



17 PARTNERSHIPS FOR THE GOALS



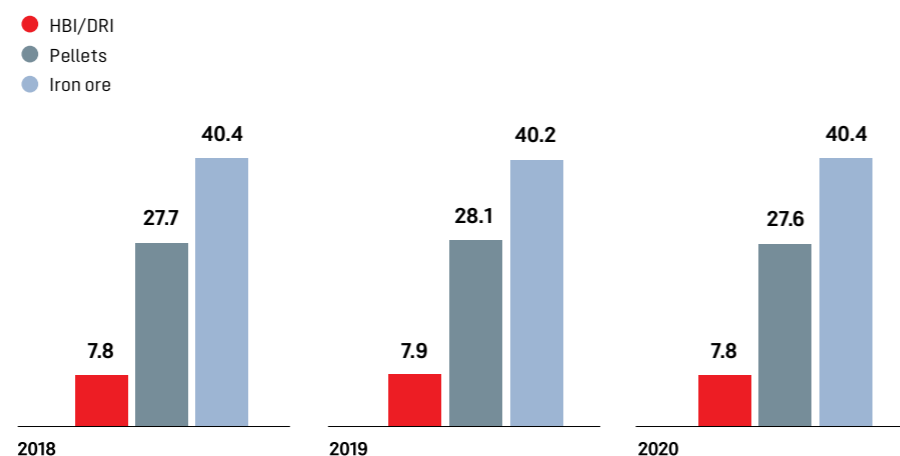
OPERATING RESULTS

GRI 102-2

Despite the challenges of 2020, Metalloinvest maintained high production levels. Iron ore output amounted to 40.4 million tonnes: a 0.5% increase on the previous year. Steel production increased to almost five million tonnes as a result of the reconstruction of flexible modular furnaces and hot testing at Ural Steel in 2019. The share of products with high added value in total IORM output remained at 72%. The milestone events of 2020 included the launch of a unique crushing and conveyor unit at MGOK and the beginning of premium pellet production for metallisation purposes. Thus, the Company was able to continue implementing its product quality enhancement and sustainable distribution strategy.

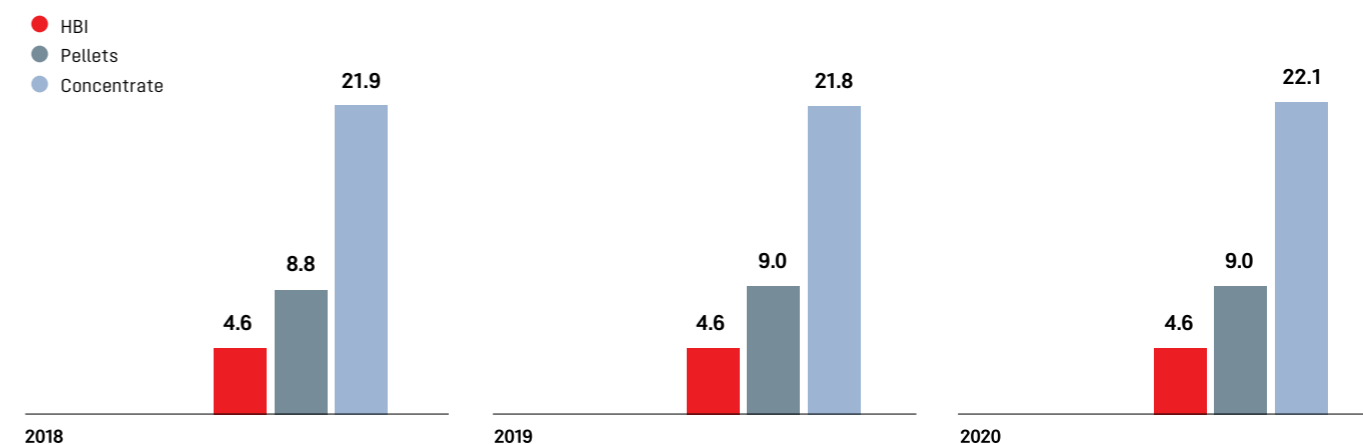
PRODUCTION

Output of iron ore products | million tonnes

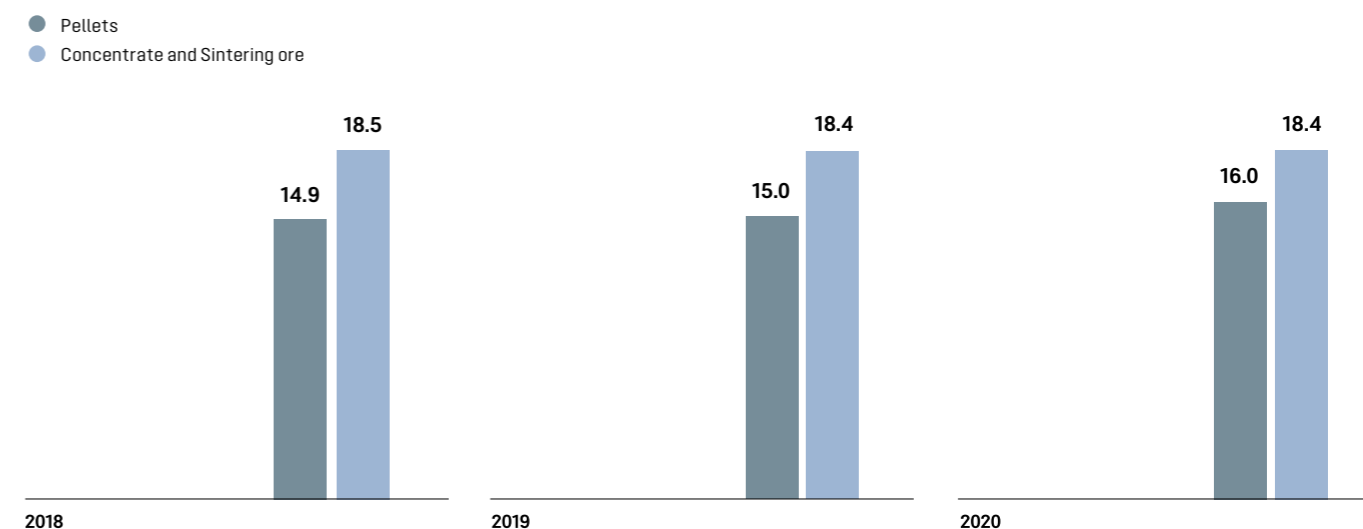


HBI/DRI production showed an insignificant, 0.9% decrease, amounting to 7.8 million tonnes by year-end. Due to the reconstruction of indurating machine No. 3 at MGOK, the production of pellets had decreased by 1.8% by the end of 2020, amounting to 27.6 million tonnes.

Output of iron ore products at LGOK | million tonnes



Output of iron ore products at MGOK | million tonnes



The increase in concentrate production at MGOK can primarily be attributed to the introduction of new beneficiation technology, which makes it possible to produce commercial concentrate with an iron content of more than 70%. The construction of a separate beneficiation building and the installation of additional mills, magnetic separators and screens will increase the output of iron ore concentrate by 10,200 tonnes per year. This project is part of a large-scale corporate programme to modernise and technically re-equip a division of the enterprise in order to boost production.

The decrease in pellet production was caused by planned capacity reduction in order to put a new DR-grade pellet production line into operation. Their total iron content is approximately 68%, with silicon dioxide and sulphur impurities of 1.4% and 0.003% respectively, which meets the global market requirements for high quality DR-grade pellets.

40.4 +0.5%

MILLION TONNES OF IRON ORE OUTPUT

27.6 -1.8%

MILLION TONNES OF PELLET OUTPUT

7.8 -0.9%

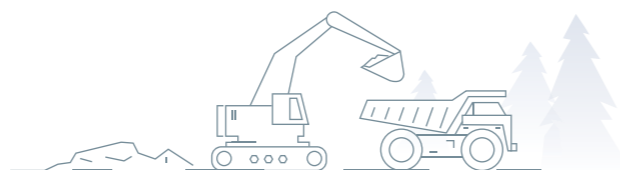
MILLION TONNES OF HBI/DRI OUTPUT

2.3 -16.3%

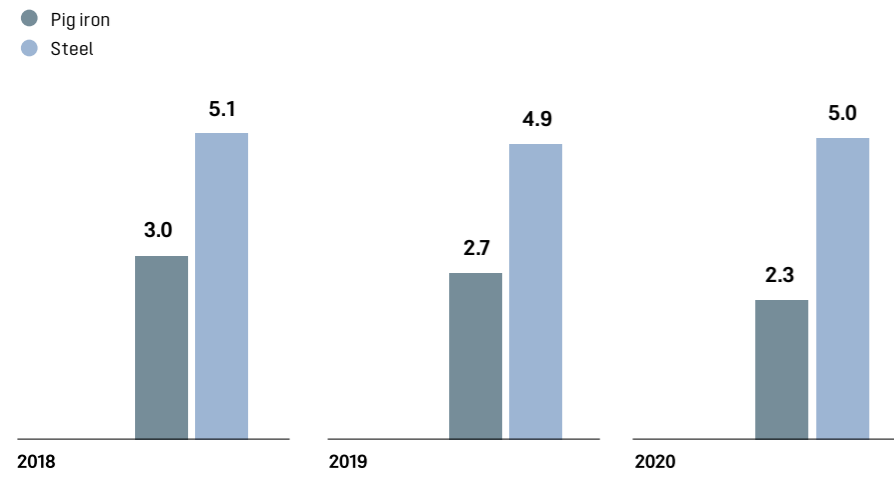
MILLION TONNES OF PIG IRON OUTPUT

5.0 +2.0%

MILLION TONNES OF STEEL OUTPUT



Output of metallurgical products | million tonnes

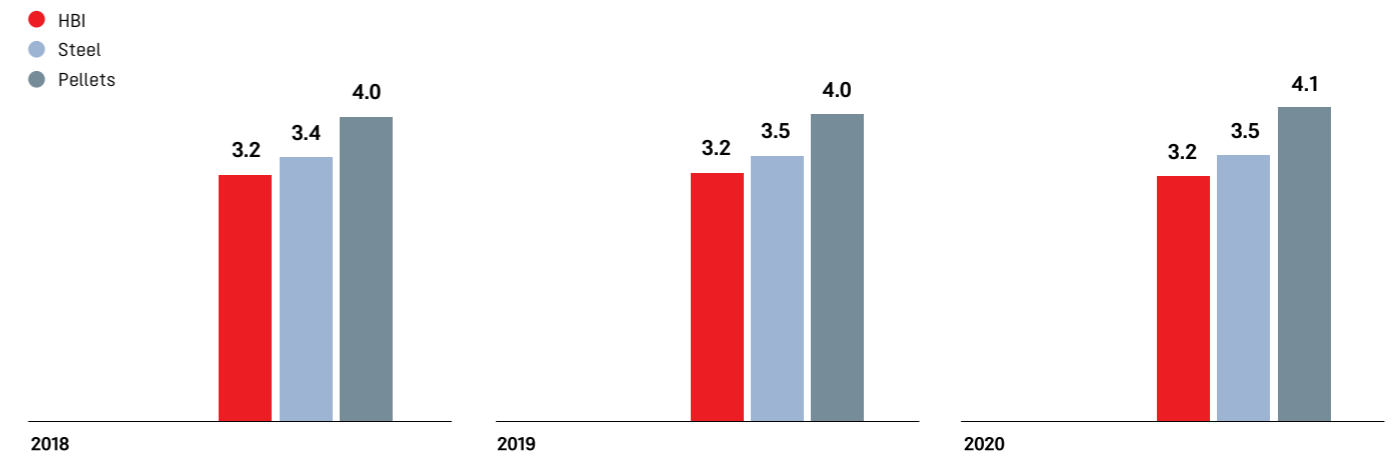


Pig iron production decreased by 14.81% in 2020, amounting to 2.3 million tonnes. The slowdown in production was due to planned preparatory work in Q4 ahead of the reconstruction of blast furnace No. 3 at Ural Steel.

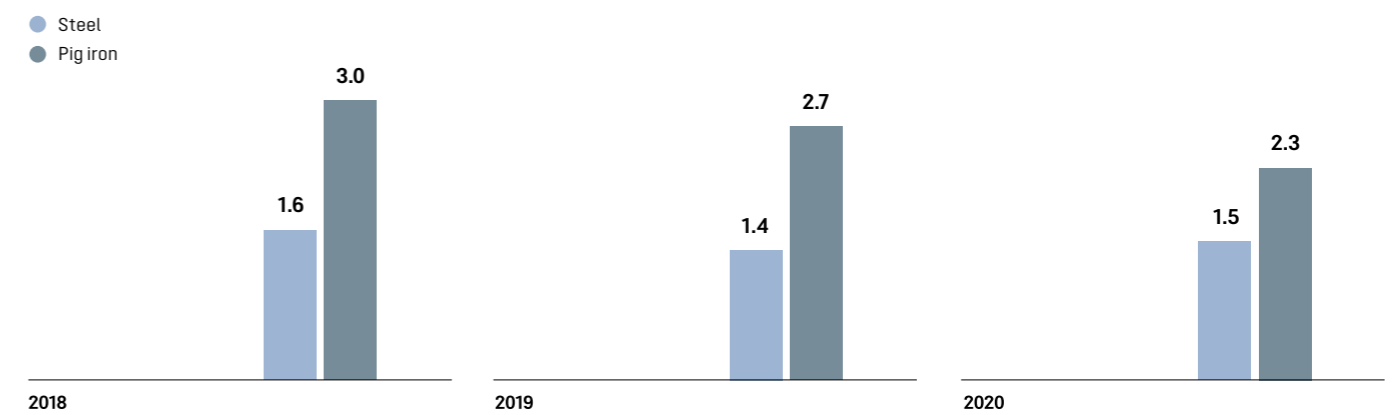
The reconstruction of FMFs performed in 2019 at Ural Steel, along with the optimisation of repair times at OEMK, allowed the Company to increase steel production by 2% and reach an output of five million tonnes. The decision to increase steel output was made in response to the recovery in demand for 2800 thick-sheet mill in the second half of 2020.



Output of metallurgical products at OEMK | million tonnes



Output of metallurgical products at Ural Steel | million tonnes



PRODUCT DISTRIBUTION

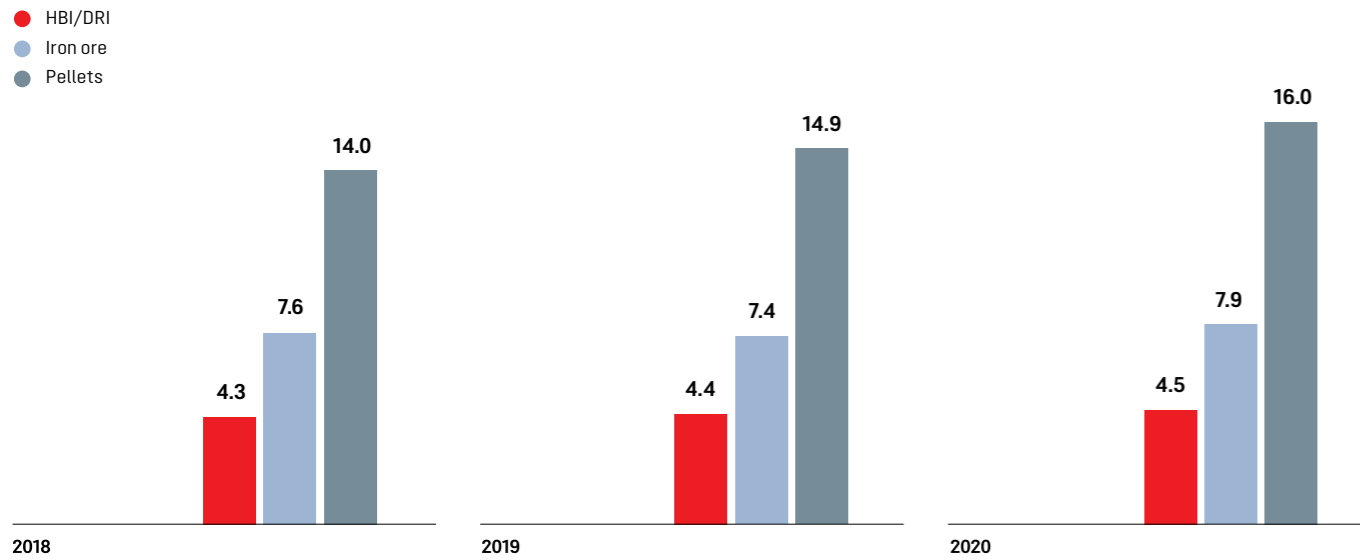
The share of domestic sales of iron ore products dropped to 48.8% at the end of 2020 vs. 52.5% in 2019. However, overall exports grew by 15.6% in 2020 due to a 43.8% increase in shipments to Europe and a 16.8% increase in shipments to the Middle East and North Africa.

By the end of 2020, sales of iron ore products to external consumers had increased by 6.5%, amounting to 28.7 million tonnes. The main driver of sales growth was the supply of pellets to European consumers. The share of products with high added value (pellets and HBI/DRI) at the end of 2020 amounted to

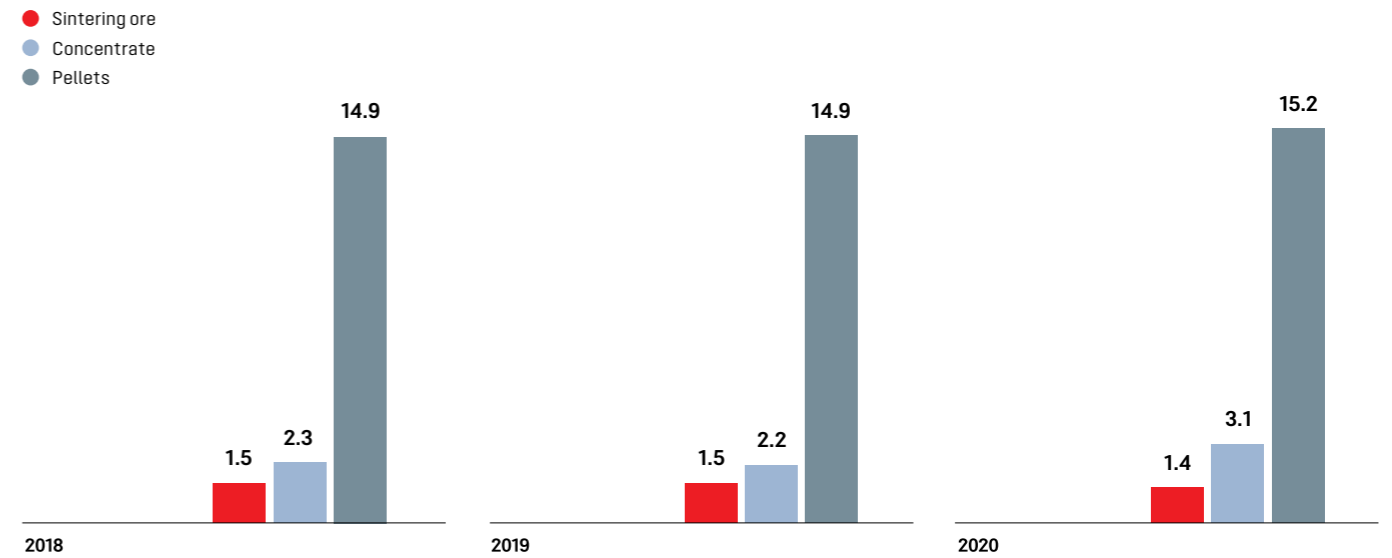
72.0% of the Company's total iron ore product shipments, which is in line with the strategic goal of increasing the share of high-margin products in the shipments structure.



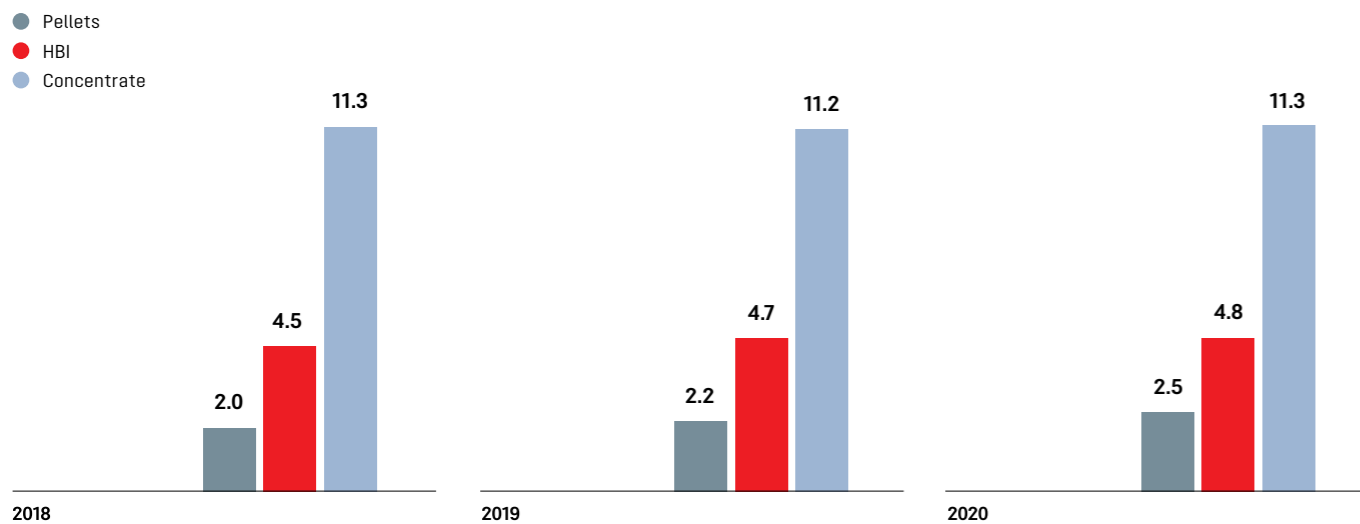
Structure of iron ore product shipments | million tonnes



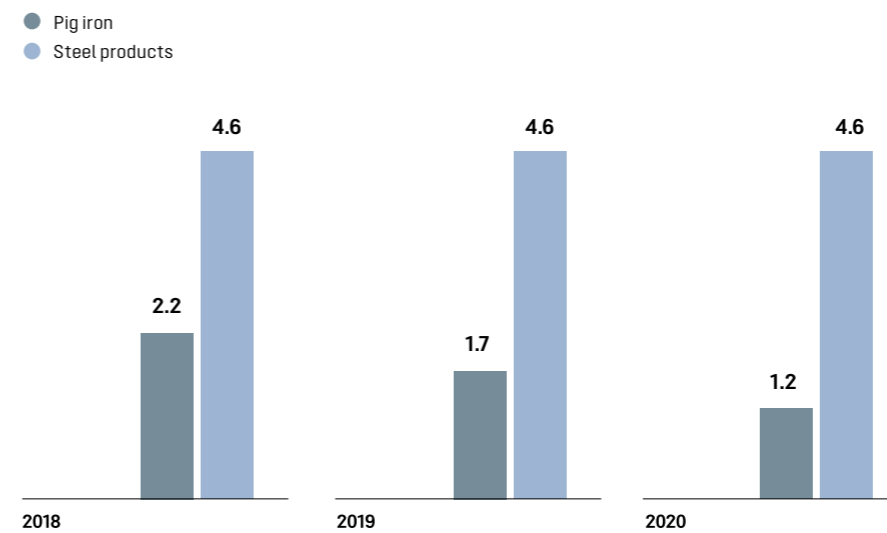
Structure of iron ore product shipments from MGOK | million tonnes



Structure of iron ore products shipment from LGOK | million tonnes

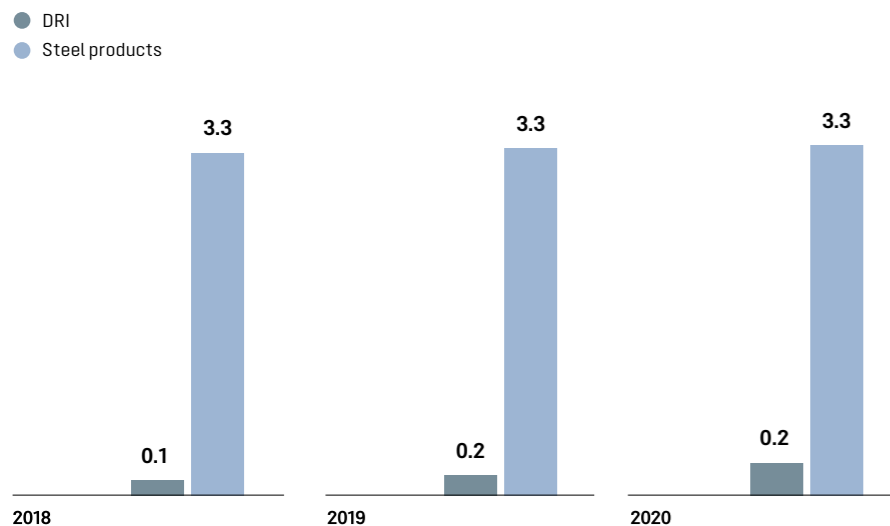


Structure of steel products shipment | million tonnes



Pig iron shipments to external consumers decreased to 1.2 million tonnes in 2020 vs. 1.7 million tonnes in 2019 amid an overall decline in production. The share of the Russian market in the total shipments amounted to 32.1%, which is 1.5% higher than in 2019. As part of the programme to increase the volume of high value-added (HVA) products, a ball-rolling mill was launched at OEMK in October 2020; the first batch of its products (9,300 tonnes) was used to replace steel balls in crushing machines at LGOK and MGOK.

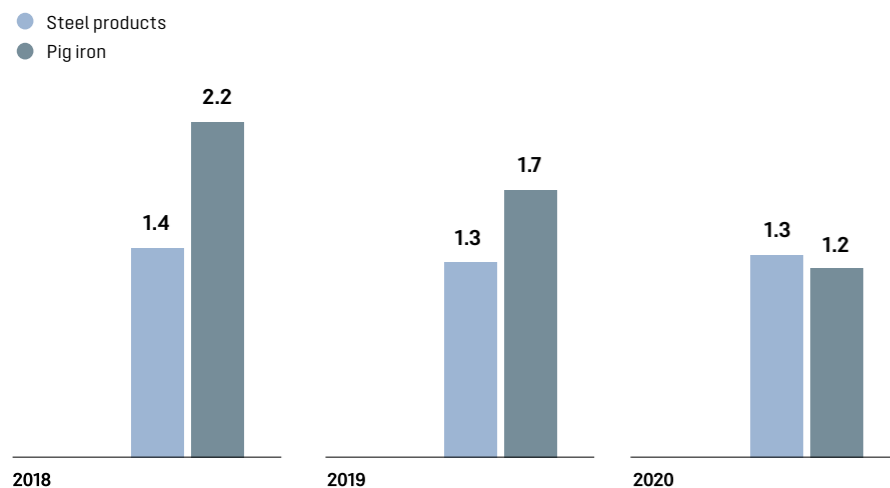
Structure of steel products shipment from OJSC | million tonnes



The delivery of metallurgical products to the Russian market shrank by 2.2% due to a decrease in demand for rolled products in Russia, which resulted from restrictions and declining investment activity. Nevertheless, the company increased deliveries of metallurgical products to the Asian market by 12.5%. Moreover, shipments to the European market revived in the second half of 2020, increasing by 11.7%. Deliveries to the Middle East decreased due to the difficult economic situation brought about by the collapse of oil prices. However, there was a sharp increase in deliveries of mining products to both European countries (by 43.8%) and Asia (by 16.8%).

Due to growing COVID-19 cases, ambiguity brought about by anti-pandemic measures in both developed and developing countries, and the volatile price situation on the rolled metal and iron ore markets, decisions on product delivery in 2021 depend on several factors: besides economic considerations, we are attempting to maintain good relationships with our customers while taking available logistical options and constraints into account. As a reliable vendor that fulfills its obligations, the Company continues to rely on established relationships with traditional customers while reaching out to new ones.

Structure of steel products shipment from Ural Steel | million tonnes



On 14 October 2020, CL BEIJING (a Panamax class vessel with the largest possible dimensions still allowing it to pass through the historical lock chambers of the Panama Canal) left the new Ultramar terminal at the port of Ust-Luga in Saint Petersburg Region. It was carrying 71,200 tonnes of pellets produced by the Company for ThyssenKrupp, a German conglomerate focused on producing building structures.

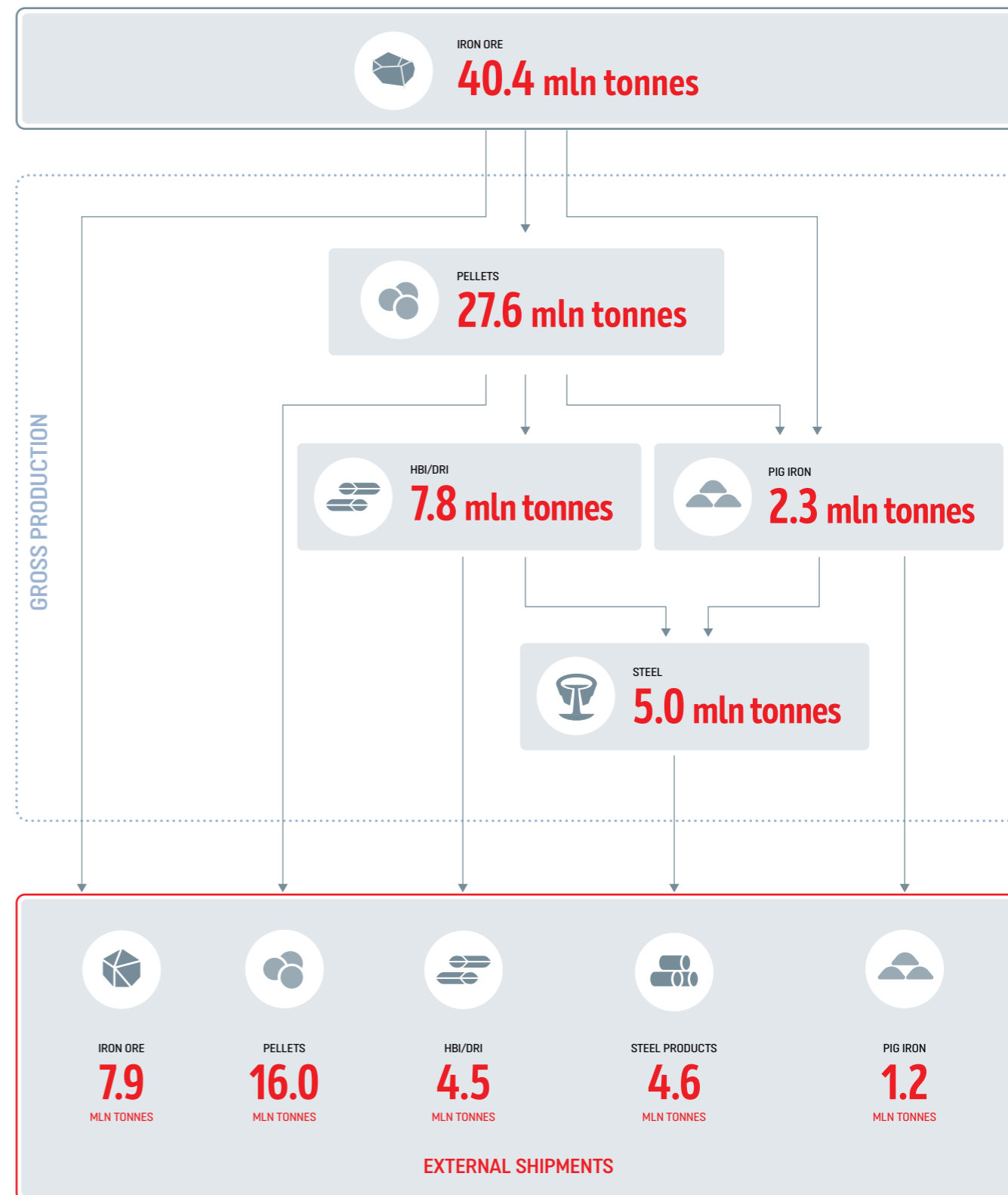
The shipment was made using a newly built special iron ore terminal. A preliminary contract on the construction of a special terminal for Metalloinvest's

iron ore cargo was signed with Ultramar in June 2019. The terminal's construction and launch, which was executed in an unprecedentedly short time, will expand Metalloinvest's export opportunities, provide additional flexibility in diversifying shipments, and reduce transportation costs.

Pursuant to the contract with Ultramar, effective as of 1 October 2020, the new terminal will handle 2.5 million tonnes of pellets and HBI supplied by Metalloinvest annually.

GRI 102-2

Production and shipment in 2020



FINANCIAL RESULTS

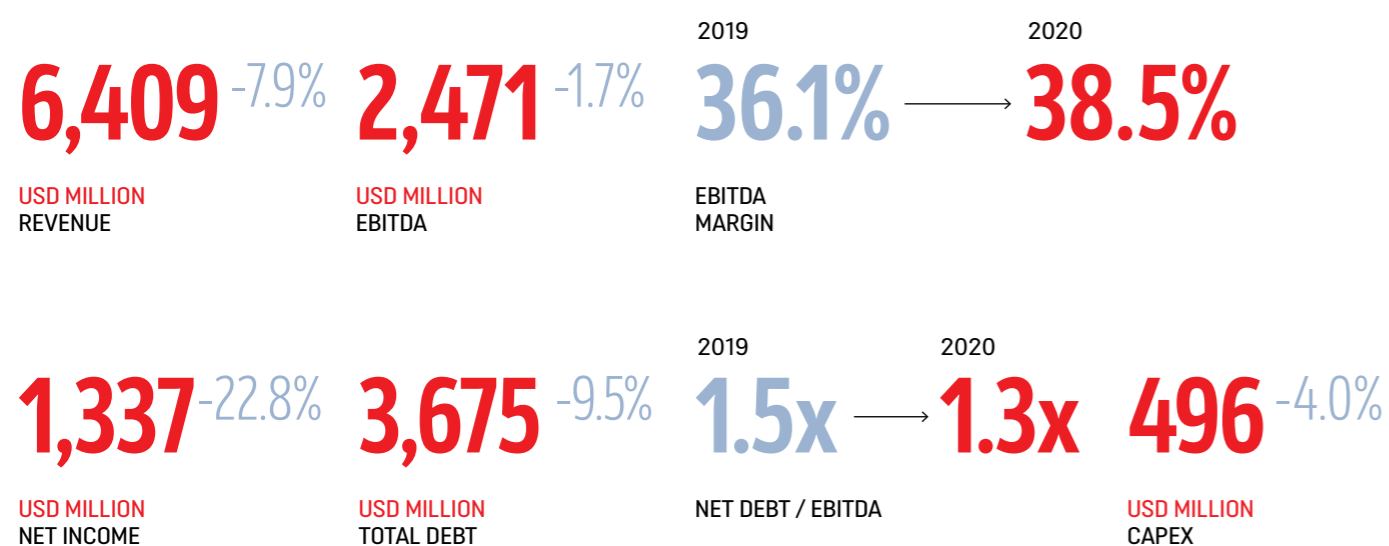
At the end of 2020, the EBITDA²⁰ of the Company amounted to USD 2.5 billion, showing a slight change on the previous year. The Company's efforts were largely aimed at optimising costs, which ensured an increase in the EBITDA margin to 38.5% from 36.1% a year earlier.

result in the last eight years. Considerable work was done to reduce the debt burden, optimise the parameters of the Company's loan portfolio and expand sources of liquidity. In 2020, several debt repayment transactions were made for a total of approximately USD 260 million. These included successful public borrowings on the local market at historically low interest rates, as well as newly opened credit lines.

As a result, the total debt of the Company decreased by 9.5% to USD 3.7 billion; amounts due under debt repayment in 2021–2022 will reach USD 0.5 billion, which is fully secured by the available liquidity. The net debt to EBITDA ratio as at the end of 2020 was 1.3x, which is sufficient to fully implement the investment programme.

Q4 2020 had a positive impact on year-end results, with EBITDA amounting to USD 838 million, which was the Company's best quarterly

Key financial indicators



Key financial indicators in 2018–2020 | USD million

| | 2018 | 2019 | 2020 | 2020/2019 CHANGE, % |
|-----------------|-------|-------|-------|---------------------|
| Revenue | 7,187 | 6,960 | 6,409 | -7.9 |
| Gross profit | 3,919 | 3,765 | 3,689 | -2.0 |
| EBITDA | 2,934 | 2,514 | 2,471 | -1.7 |
| EBITDA margin | 40.8% | 36.1% | 38.5% | 2.4 |
| Net income | 1,647 | 1,731 | 1,337 | -22.8 |
| CAPEX | 441 | 517 | 496 | -4.0 |
| Total debt | 4,051 | 4,059 | 3,675 | -9.5 |
| Net debt/EBITDA | 1.14x | 1.49x | 1.3x | -0.2x |

Key financial events

- The Company received a new AA+ (RU) credit rating from the Accounting and Corporate Regulatory Authority (ACRA) with a stable outlook
- Fitch affirmed a BB+ credit rating with a stable outlook
- Series B0-04 and B0-10 RUB bonds in the amount of RUB 15 billion were placed via public subscription
- The terms of two existing reserve credit lines with ING Bank were extended for a total of USD 200 million (or the EUR equivalent); the interest rate on one of the lines – in the amount of USD 100 million – remains pegged to the EcoVadis ESG rating
- The existing PXF-2019/2 pre-export financing lines are linked to the key sustainable development indicators of the Company
- New long-term credit lines were opened with Sberbank (RUB 25 billion), Gazprombank (RUB 15 billion), MKB (RUB seven billion) and IBEC (EUR 40 million) with maturities of three to seven years



Metalloinvest entered into additional agreements with ING Bank to extend two credit lines for a total of USD 200 million. The duration of the ancillary lines according to the extension terms is three years. The interest rate on one of the credit lines will remain pegged to the corporate social responsibility rating of the Company, which is assigned by the independent international agency EcoVadis. If the rating improves, the rate may be reduced.



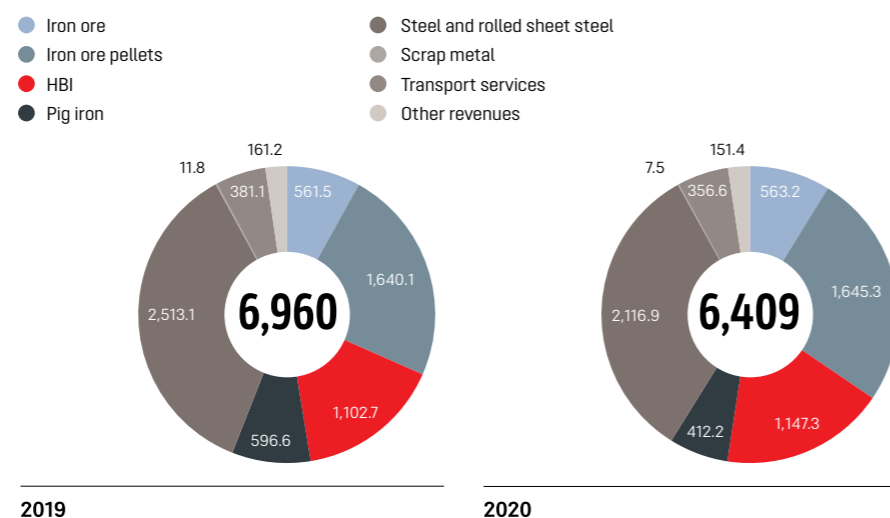
Metalloinvest signed an agreement with ING Bank to secure Export Credit Agency (ECA) financing in the amount of EUR 11.7 million. The credit line was opened in order to finance previously incurred expenses under a contract with Danieli Centro Combustion S.p.A. regarding the supply of equipment for an investment project to construct a heat treatment line for rolled products at OEMK.

²⁰ Earnings Before Interest, Taxes, Depreciation and Amortization.

REVENUE

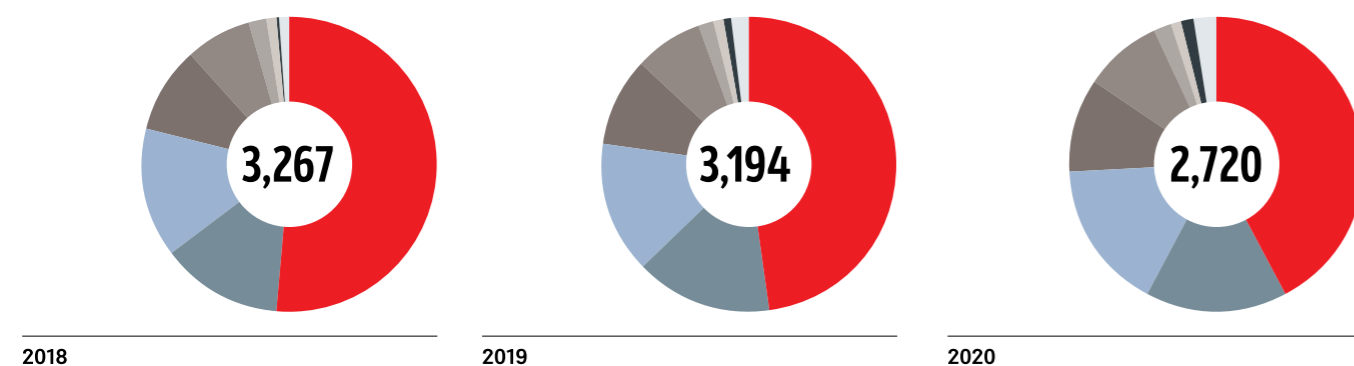
Revenue from the sales of iron ore, pellets and HBI increased by 1.6% vs. 2019 to USD 3.4 billion, mainly driven by HBI sales. Revenue from pig iron and steel products declined by 18.7% to USD 2.5 billion, reflecting lower outputs and prices, as well as changes in the product mix.

Revenue structure by product type | USD million



PRODUCTION COSTS AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Cost of the sales structure | USD million

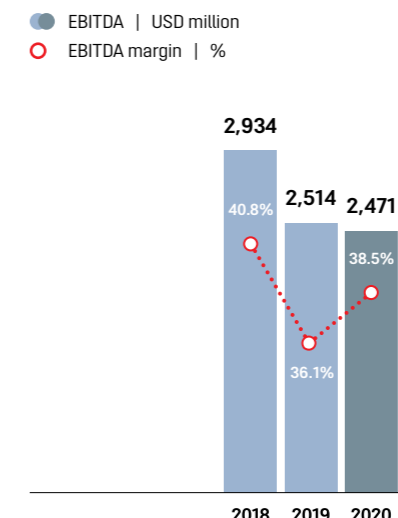


| | 2018 | 2019 | 2020 |
|--|----------------|----------------|----------------|
| Raw materials | 1,679.8 | 1,534.4 | 1,149.2 |
| Energy costs | 436.9 | 474.6 | 425.0 |
| Labour costs | 464.9 | 464.3 | 447.8 |
| Natural gas | 305.9 | 304.7 | 276.8 |
| Depreciation of fixed assets and intangible assets | 243.0 | 247.3 | 236.8 |
| Land tax, property tax and other taxes | 61.5 | 53.6 | 49.7 |
| Depreciation of mineral rights | 33.3 | 32.4 | 29.9 |
| Repairs and maintenance | 14.4 | 23.6 | 37.6 |
| Other | 28.1 | 59.6 | 67.8 |
| TOTAL | 3,267.8 | 3,194.5 | 2,720.6 |

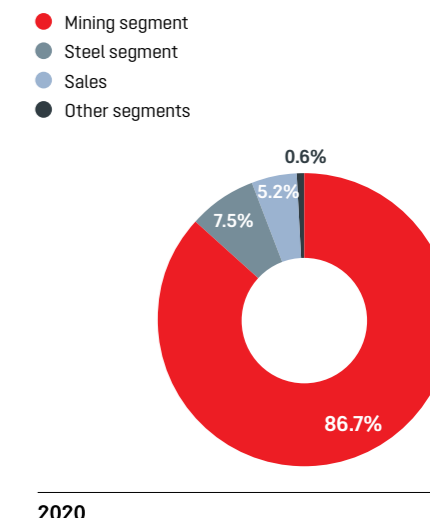
EBITDA

In 2020 the Company's strategy — aimed at enhancing product quality and ensuring stable sales — demonstrated its sustainability. The Company posted strong financial results despite external challenges. In response to the COVID-19 pandemic, the Company took a number of measures to ensure the safety of its employees and the local population of its regions of operation. Extensive assistance programmes for public health institutions were promptly deployed, and employee salaries were indexed twice.

EBITDA and EBITDA margin



EBITDA structure by segment in 2020



GRI 201-1

Metalloinvest's generated and distributed value²¹ | USD million

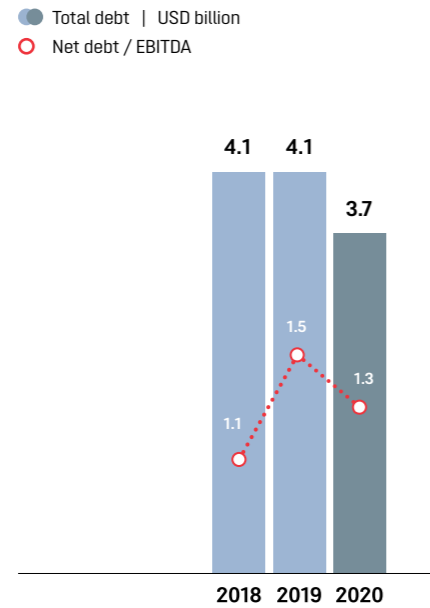
| INDICATOR | 2018 | 2019 | 2020 | STAKEHOLDER |
|--|---------------|---------------|---------------|--------------------------------------|
| Direct value created | 7,257 | 6,974 | 6,643 | |
| Revenue | 7,187 | 6,960 | 6,409 | Wide range of stakeholders |
| Income from financial investments | 70 | 14 | 231 | |
| Income from the sale of tangible assets | 0 | 0 | 0 | |
| Distributed value | -5,463 | -5,512 | -7,426 | |
| Operational expenses | -4,102 | -4,263 | -3,762 | Employees, suppliers and contractors |
| Inclusive of salaries | -670 | -691 | -680 | Employees |
| Other payments to employees and benefits | -7 | -13 | -10 | |
| Charitable donations | -80 | -91 | -98 | Local communities |
| Payments to capital providers | -752 | -587 | -3,162 | Shareholders and investors |
| Inclusive of dividends paid | -436 | -303 | -2,966 | |
| Inclusive of financial expenses | -316 | -284 | -196 | |
| Payments to the state | -522 | -557 | -395 | Government authorities |
| Inclusive of income tax | -460 | -504 | -345 | |
| Retained value | 1,794 | 1,462 | -785 | |

²¹ With dividends of USD 2,966 million, the net cash inflow from loans issued to owners and other related parties totaled USD 2,043 million. The dividends were used by the owners to repay loans previously issued to the Company's shareholders and other related parties. As a result, the cash outflow from the Company in 2020 amounted to USD 923 million.

FINANCIAL POSITION AND DEBT MANAGEMENT

Substantial refinancing of the loan portfolio in 2020 enabled the readjustment of debt maturity in 2021–2022. In 2020, net cash outflow on loans attraction and repayment amounted to USD 258 million. As at 31 December 2020, the Company's total debt had decreased by 9.5% vs. 2019, amounting to USD 3.675 billion thanks to the early repayment of USD 258 million worth of debt.

Total debt and net debt to EBITDA ratio



As per IFRS 16, the total debt includes an operating lease of USD 94 million. Long-term loans and borrowings still prevail in the structure of the loan portfolio (93% as of 31 December 2020).

Short-term debt amounted to USD 280 million, mainly consisting of a forthcoming offer of series B0-02 and B0-08 ruble bonds for a total of USD 15 billion in March 2021.

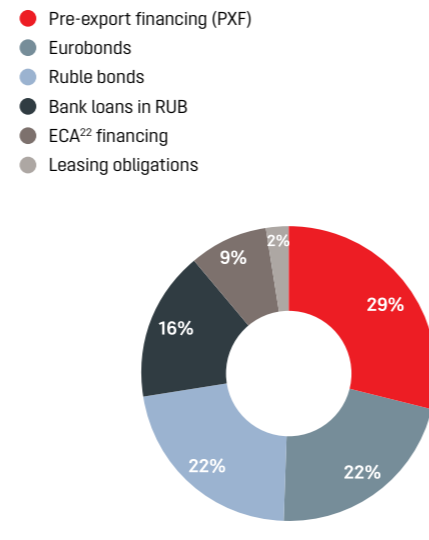
As of 31 December 2020, cash and cash equivalents amounted to USD 437 million. Moreover, as at the reporting date, the Company had unused credit lines in rubles, dollars and euros totaling approximately 777 million in dollar terms. At the end of the reporting period, the Company's net debt amounted to USD 3.237 billion, which is 13.8% less than in 2019.

Net debt / EBITDA also decreased and amounted to 1.3x against 1.5x as of 31 December 2019.

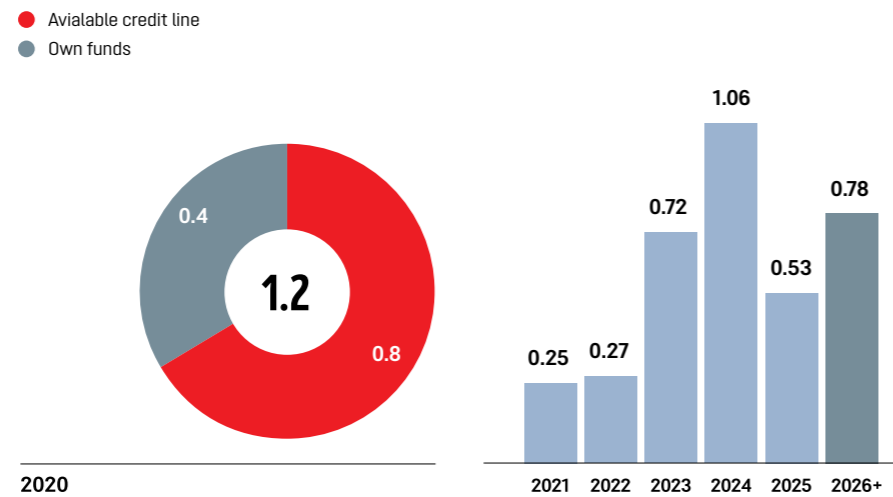
In order to mitigate forex risk, the foreign exchange balance was adjusted to comprise a higher share of Russian rubles (40% vs. 33%).

A public offering of local RUB bonds (B0-04 and B0-10) totalling USD 15 billion was made at a record low coupon rate of 5.70% for five years and 6.55% for six years.

Debt structure by source of funds as of 31 December 2020



Debt repayment schedule as of 31 December 2020 | USD billion



The chart provides information about contractual cash flows in accordance with the Company's existing financial obligations. The amounts shown on the chart differ from the Company's total debt calculated on the basis of the Company's IFRS financial statements and represent undiscounted contractual cash flows. The indicated amounts do not include information on the repayment of lease obligations, nor do they include amounts of expected interest payments on loan agreements.

CREDIT RATINGS

Our Company constantly communicates with international and national rating agencies. We continued this work in 2020.

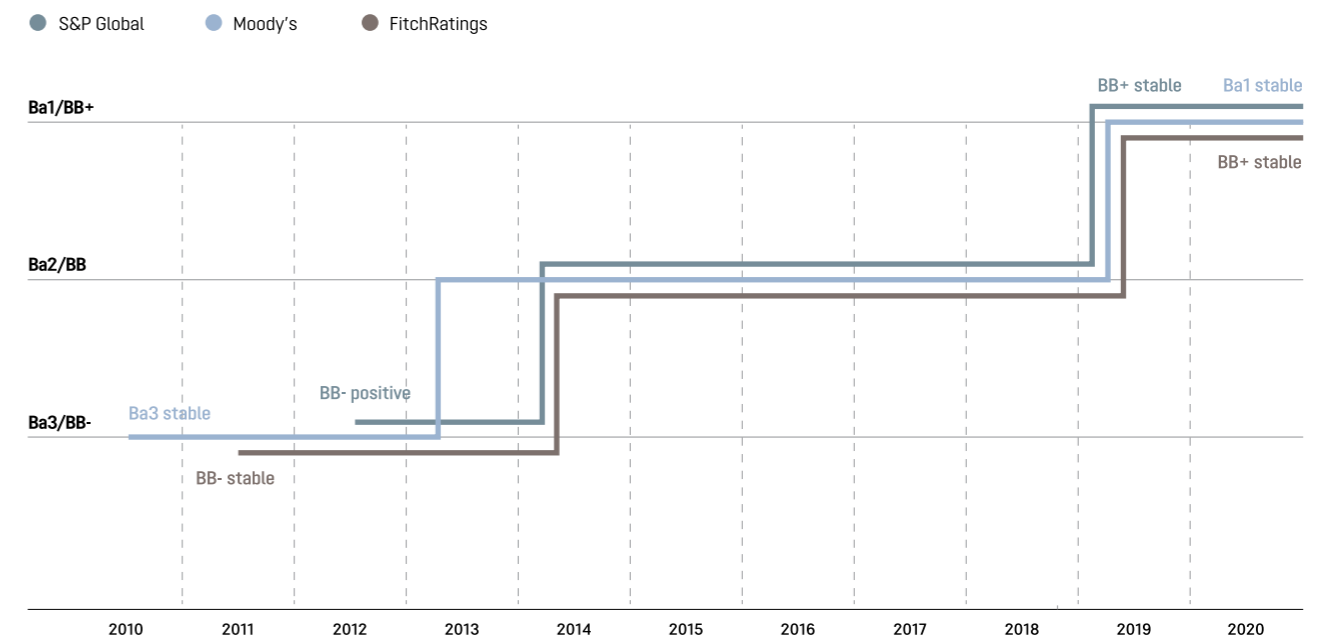
In July 2020, Fitch affirmed the Company's BB+ credit rating with a stable outlook. In September 2020, the Company received a new AA+ (RU) credit rating from the Accounting and Corporate Regulatory Authority

(ACRA) with a stable outlook on the national scale. Expert RA ruAA rating with a stable outlook was withdrawn in October 2020 at the initiative of the Company.

Information on the Company's credit ratings is updated regularly and published on the Company's website [↗](#).

| AGENCY | S&P | MOODY'S | FITCH | ACRA |
|-------------|-------------|-------------|-------------|-------------|
| Rating date | 27 Feb 2019 | 14 Mar 2019 | 16 Jul 2020 | 15 Sep 2020 |
| Tier | BB+ | Ba1 | BB+ | AA+ (RU) |
| Outlook | Stable | Stable | Stable | Stable |

Fluctuation of Metalloinvest's credit ratings in 2010–2020



²² Credit lines guaranteed by export credit agencies.

DRIVING THE EVOLUTION OF METALLURGY

OPEN OPPORTUNITY IDEAS

CORPORATE GOVERNANCE

- 68 Corporate governance system
- 70 Structure of corporate governance bodies
- 84 Risk management and internal control

Metalloinvest places the utmost importance on the structure and implementation of its corporate governance system as one of the key elements ensuring the Company's sustainability, the improvement of process efficiency and its investment attractiveness.

THE BOARD OF DIRECTORS
WAS RE-ELECTED AND COMPRISES

10 members

50 MEETINGS IN ABSENTIA WERE HELD
BY THE BOARD OF DIRECTORS AND

6 physical meetings

Contribution to UN SDGs

8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



17 PARTNERSHIPS
FOR THE GOALS



CORPORATE GOVERNANCE SYSTEM

Metalloinvest takes the organisation and implementation of corporate governance seriously, as this is a key element to ensuring sustainability, improving the efficiency of business processes, and increasing the Company's investment potential.

Metalloinvest's corporate governance system features well-structured management bodies and an effective mechanism for interaction with stakeholders, all of which operate in accordance with Russian legislation, corporate regulations and international best practices. Transparency, fully integrated sustainable development principles, and liability insurance are at the foundation of the Company's corporate governance philosophy.

A well-established corporate governance system ensures a balance of interests among all shareholders, management bodies and employees; encourages appropriate risk management; adds value to the Company's efficiency; and fosters growth in accordance with the Company strategy. Metalloinvest's excellence in corporate governance has been noted by leading ratings agencies.²³



Each year, Metalloinvest takes out liability insurance for its Board Directors, members of the Management Board, managers, and Company officers (Insured Persons) in compliance with Russian and international standards of corporate governance and risk management.

LIABILITY INSURANCE

Each year, Metalloinvest takes out liability insurance for its Board Directors, members of the Management Board, managers, and Company officers (Insured Persons) in compliance with Russian and international standards of corporate governance and risk management.

SOGAZ JSC, the largest provider of insurance services on the Russian market, was selected as the Company's insurer based on the results of a tender. Risks are reinsured on the international market by leading companies in terms of portfolio volume and experience settling D&O losses in Russia and across the globe: Allianz, AIG, CHUBB, and Zurich.

The liability of the Company's Insured Persons is covered by the D&O (Directors and Officers Liability Insurance) policy. The terms of the policy were developed jointly with the leader of the reinsurance program, Allianz, which has been insuring Metalloinvest's D&O risks continuously since 2015. The terms of the policy stipulate the optimum amount of coverage available at the time of the policy's conclusion, taking into account all of Metalloinvest's insurance protection needs, with a total limit of USD 100 million of liability and an additional limit of USD 5 million²⁴ of liability for Independent directors.

The policy provides protection against possible claims from third parties that may arise as a result of unintentional wrong actions taken by Insured Persons while managing the Company. Possible expenses of the Company may also be reimbursed if the Company itself has covered the costs and losses of the Insured Persons.

The policy also covers judicial protection for Insured Persons and related expenses, as well as the cost of damage caused by the unintentional actions of the Insured Person if such damage is proved and must be paid out based on a court order or pre-trial agreement.



²³ For more information, see Financial Results/Credit Ratings section.

²⁴ D&O insurance information is valid until 1 May 2021.

STRUCTURE OF CORPORATE GOVERNANCE BODIES

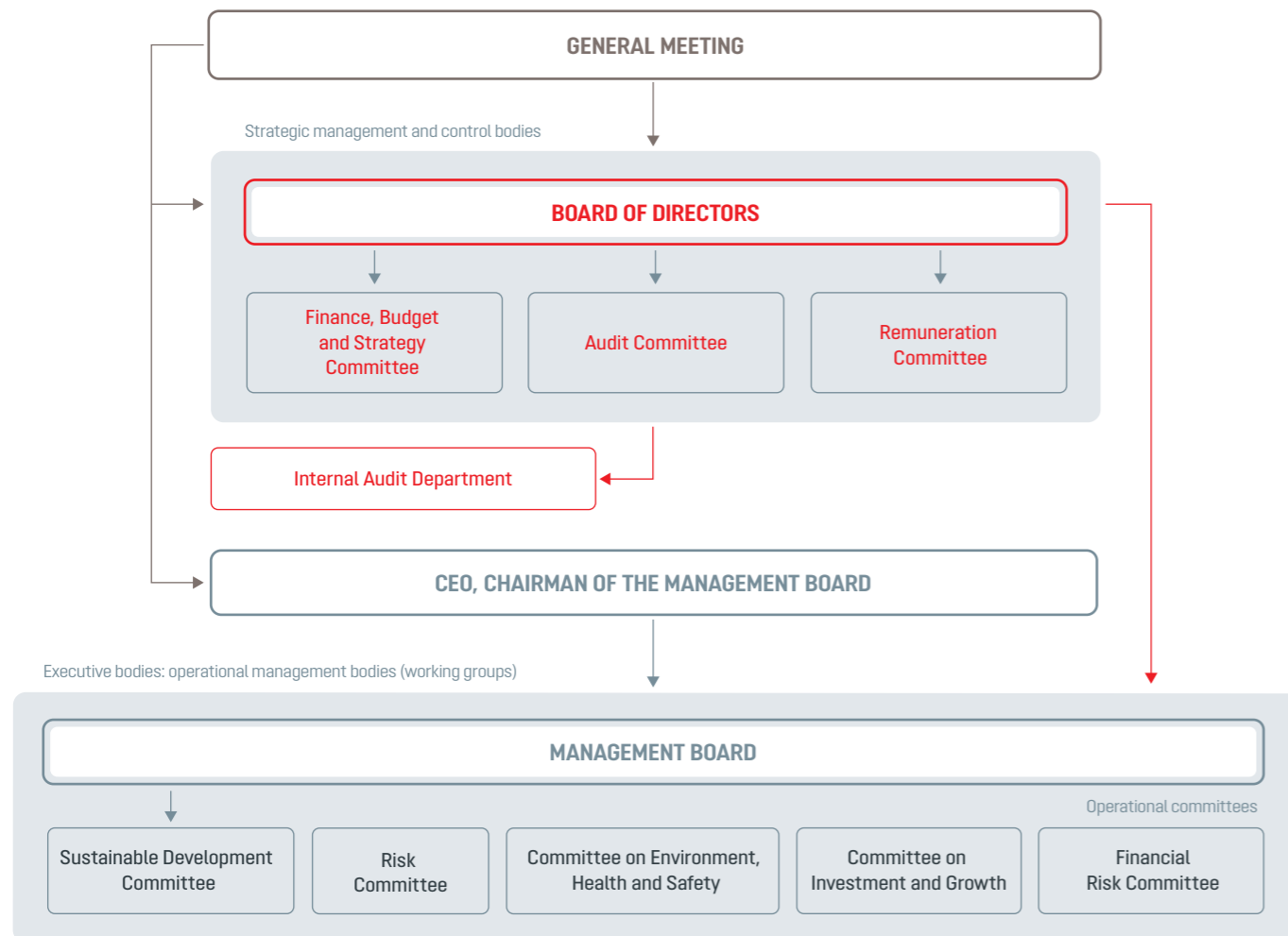
GRI 102-18 GRI 102-19 GRI 102-20 GRI 102-22 GRI 102-23

GRI 102-24 GRI 102-26 GRI 102-30

The Management Company is responsible for general operations at the Company and for formulating a development strategy. Metalloinvest is constantly improving its corporate governance system in accordance with international best practices, ensuring the efficient running of the Company's production units and the achievement of sustainable

development goals. Sustainable development management is integrated into the current corporate governance structure and has been cascaded to all organisational levels. At the level of the Management Company, priority sustainability goals are formulated by the Board of Directors and the Management Board, headed by the CEO.

Corporate governance system scheme



○ Strategic governing bodies and internal control bodies

○ Executive governing bodies

GENERAL MEETING

The supreme governing body of the Management Company is the General Meeting, which elects the CEO and the Board of Directors.

BOARD OF DIRECTORS

GRI 102-26 GRI 102-30

The Board of Directors of the Management Company carries out strategic management of Metalloinvest, defines the basic principles and approaches to organising a risk management and internal control system, and oversees the activities of executive bodies. It also implements other key functions, such as creating the necessary conditions for the long-term sustainable development of Metalloinvest.

At the suggestion of the CEO, the Board of Directors also determines the number of members of the Management Board and elects its members.

GRI 102-24

Members of the Board of Directors are elected by decision of the General Meeting for a term lasting until the next meeting, at which point they can be re-elected for a further term. The Board of Directors includes independent directors. Independence criteria are prescribed by the Regulations on the Board of Directors, with reference to the provisions of the Corporate Governance Code recommended by the Central Bank of Russia.

GRI 102-26

The Board of Directors is responsible for strategic management of the Company. The main objectives of the Board of Directors are as follows:



Ensure effective management



Determine and fulfil the Company's strategic goals



Determine principles and approaches to the risk management system and risk assessment



Create the necessary conditions for long-term sustainable development

Members of the Board of Directors

GRI 102-22 | GRI 102-23

The Board of Directors was re-elected by a decision of the General Meeting on 23 July 2020; it now comprises 10 members. As at 31 December 2020, the composition of the re-elected Board of Directors was as follows:



Ivan Streshinsky
Chairman of the Board of Directors, Non-Executive Director. Member of the Board of Directors between June 2006 and April 2010 and from February 2013 till present.
CEO of USM Management LLC



Vakhtang Kocharov
Deputy Chairman of the Board of Directors, Executive Director. Member of the Board of Directors since April 2019.
Deputy Chairman of the Board of Directors of Management Company Metalloinvest, CEO of Metalloinvest Logistics AG, CEO of Metalloinvest Trading AG, Member of the Board of Directors of the International Iron Metallurgy Association (IIMA), Director of Metalloinvest Logistics DWC LLC Dubai, Chairman of the Board of Directors of Metalloinvest Trading AG, Member of the Board of Directors of USM, Member of the Board of Directors of Udokan Copper LLC, Member of the Board of Directors of Udokan Copper Holding JSC



Nazim Efendiev
Executive Director. Member of the Board of Directors between June 2006 and April 2007, between April 2011 and February 2013, and from July 2020 till present.
CEO of Management Company Metalloinvest



Valery Kazikaev
Independent Non-Executive Director. Member of the Board of Directors since October 2013.
Chairman of the Board of Directors of LLC BMC, CEO of JSC Udokan Copper Holding Company



Galina Aglyamova
Chairman of the Audit Committee, Independent Non-Executive Director. Member of the Board of Directors until the end of 2012 since October 2013.
Vice President of NLMK

178 ISSUES

WERE DISCUSSED BY THE BOARD OF DIRECTORS



Gleb Kostikov
Chairman of the Remuneration Committee, Non-Executive Director. Member of the Board of Directors since September 2017.
Executive Director of USM Holding Company LLC



Pavel Mitrofanov
Chairman of the Finance, Budget and Strategy Committee, Non-Executive Director. Member of the Board of Directors since June 2016.
Deputy CEO of USM Holding Company LLC, Head of Project Management in the industrial sector



Irina Lupicheva
Non-Executive Director. Member of the Board of Directors since February 2013.
Managing Director and Head of Risk and Control at USM Management LLC

6 PHYSICAL MEETINGS

AND 50 MEETINGS IN ABSENTIA WERE HELD BY THE BOARD OF DIRECTORS



Dmitry Tarasov
Independent Director. Member of the Board of Directors since April 2014.
Deputy CEO / Executive Director of Management Company Metalloinvest



Uluc Ergin
Non-Executive Director. Member of the Board of Directors since October 2019.
Deputy CEO, Head of Development Projects and Major Construction at USM Holding Company LLC

REPORT OF THE BOARD OF DIRECTORS

In 2020, the Board of Directors met six times and held 50 absentee votes, during which 178 issues were discussed. The work of the Board of Directors, like the work of the entire Company during the pandemic, was organised in compliance with safety requirements: many of the Board's meetings were held online this year.

The Board made a number of important decisions in 2020 aimed at improving corporate governance, the HR policy, the risk management and internal control system, and the Company's strategy and corporate business. It also approved a number of deals. These decisions included, but were not limited to:

- Updating the Company Strategy
- Approving the parameters of large investment projects and development/transformation programmes; considering a digital transformation programme and an energy efficiency programme
- Agreeing fund-raising deals
- Authorising the annual CAPEX programme of the Company for 2021

- Negotiating the implementation of a project to construct an HBI factory in the city of Zheleznogorsk in Kursk Region
- Ratifying the Risk Management Policy and issuing methodological recommendations for assessing the impact of realised risks on financial and economic activity indicators
- Approving the KPIs of the Environmental Programme for 2025
- Reviewing proposals to improve occupational health and safety functions
- Making recommendations on the payment of interim and annual dividends

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has three constituent committees: Audit Committee; the Finance, Budget and Strategy Committee; and the Remuneration Committee.

The committees are designed to facilitate active discussion and detailed analyses of corporate governance issues. The work of these committees is governed by relevant regulations.



Audit Committee

Audit Committee was founded in 2013. Perform extensive studies and provide recommendations to the Board of Directors in areas such as financial reporting, internal control and risk management systems, and external/internal audit processes.

Main functions:

- Estimate the effectiveness of internal control procedures and suggest improvements
 - Assess the risk management system; review information about risk appetite compliance, key risks, and measures to manage them; review the adequacy of proposed measures, and make overall recommendations to improve risk management
 - Review the internal audit policy, evaluate the performance of internal audit procedures, and propose improvements for these procedures
 - Screen the internal audit action plan, assess the effectiveness of the internal audit function, consider issues related to the appointment (and dismissal) of the head of the Internal Audit department
 - Analyse the Company's financial statements
 - Prepare recommendations for the Board of Directors on measures that will mitigate, identify, and limit financial and operational risks
 - Appraise external audit experts and recommend commissions for them
 - Analyse the external auditor's report
 - Estimate and discuss with an expert any significant issues that arise during the external independent audit
- Eleven meetings in person (including online) and two meetings in absentia were held by the Audit Committee in 2020. Main items of business covered:
- Reviewed the Company's interim and annual consolidated financial statements, including the external auditor's reports
 - Elaborated recommendations on appointing the Company's external auditor and its commission
 - Reviewed the external auditor's report on the compliance of the integrated management system for financial and business operations implemented at the Company in terms of the execution of consolidated financial statements
 - Screened reports on the Company's risk management and internal control system, provided recommendations on improvement
 - Approved the Risk Management Policy, authorised a Methodology for Assessing the Impact of Realised Risks on the Company's Financial and Economic Indicators
 - Considered reports on risks inherent to the financial and economic activities plan of the Company, as well as response strategies for key risks
 - Analysed reports on realised risks and the report on compliance with the Company's risk appetite
 - Reviewed the results of the internal audit annual plan, authorised the internal audit annual plan, assessed internal audit's effectiveness
 - Analysed issues surrounding the



IN PERSON (INCLUDING ONLINE) AND IN ABSENTIA MEETINGS WERE HELD IN 2020

MEMBERS OF THE AUDIT COMMITTEE

GALINA AGLYAMOVA

Committee Chairman, Independent Non-Executive Director. Committee member since 2013.

IRINA LUPICHEVA

Non-Executive Director. Committee member since 2013.

PAVEL MITROFANOV

Non-Executive Director. Committee member since 2013.



6 IN PERSON (INCLUDING ONLINE) AND IN ABSENTIA MEETINGS WERE HELD IN 2020



Finance, Budget and Strategy Committee

Finance, Budget and Strategy Committee was founded in 2013. Perform extensive research and provide recommendations to the Board of Directors on priority areas for business, development strategies, financial activities, and the innovation strategy.

Main functions:

- Draft proposals on the Company's business priorities
- Propose investment projects
- Draft proposals on sale and purchase agreements involving shares of other companies (including derivatives) and on the acquisition of third companies
- Propose sale and purchase agreements and supply contracts for steel and iron ore products or other goods, provide advice on service agreements
- Suggest credit agreements, loan contracts, associated security deeds or performance bond agreements, bank deposit contracts, agreements to issue promissory notes, and other fundraising instruments
- Suggest a dividend policy for the Company

Six meetings in person (including online) and fifty meetings in absentia were held by the Finance, Budget and Strategy Committee in 2020. Main items of business covered:

- Provided methodological guidance and recommendations on:
 - Developing the Company's strategy and assessing its implementation in order to improve efficiency in the short and long term
 - Formulating the Company's annual budget and CAPEX programme for 2021
 - Determining target performance indicators, including operational/ financial business indicators for 2020
 - Implementing investment projects, comprehensive development programmes, and the Environmental programme

MEMBERS OF THE FINANCE, BUDGET AND STRATEGY COMMITTEE

PAVEL MITROFANOV

Committee Chairman, Non-Executive Director. Committee member since 2016.

GALINA AGLYAMOVA

Independent Non-Executive Director. Committee member since 2016.

VALERY KAZIKAEV

Independent Non-Executive Director. Committee member since 2013.

DMITRY TARASOV

Independent Director. Committee member since 2014.

NAZIM EFENDIEV

CEO of Management Company Metalloinvest. Committee member since 2020.



Remuneration Committee

Remuneration Committee was founded in 2014. Provide recommendations to the Board of Directors on recruiting and retaining skilled employees for the Company, boosting the efficiency of the remuneration system, and linking employees' contribution to business with compensation and benefits.

Main functions:

- Draft proposals for approval by the Board of Directors on remuneration policies for the Board of Directors, the CEO, and members of the Management Board
- Make suggestions on employee development and incentives
- Formulate the Company's HR and social policies

Two meetings in person (including online) and nine meetings in absentia were held by the Remuneration Committee in 2020. Main items of business covered:

- Provided methodological guidance and recommendations on:
 - Developing the Company's corporate culture
 - Improving the HR brand value programme
 - Indexing wages and salaries
 - Estimating the Company's competitiveness on the market in terms of wages and salaries
 - Making changes to the organisational structure and staff appointments

MANAGEMENT BOARD

The Management Board is the collective executive body of the Management Company. The Board includes the Managing Directors of LGOK, MGOK, OEMK, and Ural Steel, who determine the most beneficial development path for the Company as a whole.

The Management Board is responsible for the current management and governance of the Company; it reports to the Board of Directors and the General Meeting. The activities of the Management Board are determined by the principles set forth in the Articles of Association and the Management Board Regulations.

THE RESPONSIBILITIES OF THE MANAGEMENT BOARD INCLUDE, BUT ARE NOT LIMITED TO:

- Making decisions on important current activities
- Coordinating the departments and functions of the Management Company
- Making proposals to the Board of Directors about the main lines of business and potential implementation plans
- Coordinating programmes aimed at creating favourable conditions for sustainability
- Agreeing HR policy, principles of resource planning, and staff motivation programmes
- Considering proposals on defining a risk appetite that take into account priority risk areas, adopting programmes aimed at creating a risk culture as an integral part of the general corporate culture of the Company and at managed entities



2 IN PERSON (INCLUDING ONLINE) AND IN ABSENTIA MEETINGS WERE HELD IN 2020

MEMBERS OF THE REMUNERATION COMMITTEE

GLEB KOSTIKOV

Committee Chairman, Non-Executive Director. Committee member since 2017.

IVAN STRESHINSKY

Chairman of the Board of Directors. Committee member since 2016.

DMITRY TARASOV

Independent Director. Committee member since 2016.

Members of the Management Board

Based on a decision of the Board of Directors made in 2020, the Management Board was re-elected; it comprises 11 members. As at 31 December 2020, the composition of the re-elected Management Board was as follows:



Nazim Efendiev

Chairman of the Management Board, CEO of Management Company Metalloinvest

Has held various executive positions at the Company and its production enterprises since 2002. Has been the CEO of Management Company Metalloinvest since April 2020.



Andrey Ugarov

First Deputy CEO and Production Director of Management Company Metalloinvest

Joined the Company in 1999 and has held various executive positions at the Company and its production enterprises since 2004. Was Managing Director of OEMK between 2014 and 2011. Has held his current position since December 2013.



Alexey Voronov

Deputy CEO in Finance and Economics of Management Company Metalloinvest

Joined the Company in 2015.

Has held his current position since May 2020.



Oleg Krestinin

Deputy CEO and Chief Commercial Officer of Management Company Metalloinvest

Joined the Company in 2004. Has held various executive positions at Management Company Metalloinvest, CJSC Metalloinvest, and Metalloinvest Trading AG. Has held his current position since June 2020.



Dmitry Babenko

Director of Corporate Affairs of Management Company Metalloinvest

Began his career at LGOK and has held various executive positions at Management Company Metalloinvest. Has held his current position since February 2016.



Yuri Gavrilov

Director of Strategy, Mergers and Acquisitions of Management Company Metalloinvest

Joined the Company in 2014.

Has held his current position since May 2020.



Natalya Gryzanova

Investment Director of Management Company Metalloinvest

Has held various executive positions at the Company since 2013.

Has held her current position since December 2014.



Ildar Iskakov

Managing Director of Ural Steel

Joined the Company in October 2020.

Has held his current position since October 2020.

17 MEETINGS

INCLUDING 14 MEETINGS IN ABSENTIA (BOTH ONLINE AND OFFLINE) AND THREE MEETINGS IN PERSON WERE HELD BY THE MANAGEMENT BOARD



Anton Zakharov

Managing Director of Mikhailovsky GOK

Joined the Company in December 2010.

Has held his current position since March 2020.



Sergey Shishkovets

Managing Director of OEMK

Has held his current position since March 2019.



Oleg Mikhailov

Managing Director of Lebedinsky GOK

Has held various executive positions at the Company and its production enterprises since 2006.

Has held his current position since October 2011.

Report of the Management Board

In 2020, the Management Board held 14 meetings in absentia and three meetings in person.

The main issues considered were:

- Reports on the execution of the financial and economic activity plan and the annual CAPEX programme
- Reports on the work of the production and commercial services of the Company
- Market trends, prospects and forecasts
- Reports on the implementation of the integrated development programmes of MGOK and LGOK
- The Company's development plan for the risk management system

Changes to the organisational structure of the management company were approved, and a decision was made to establish a Sustainable Development Committee under the Management Board.

Management Board Committees

In December 2020, a Sustainable Development Committee governed by the Management Board was established to work through issues associated with developing and agreeing programmes to create favourable conditions for sustainable development.

The following operational committees (working groups) were organised and now operate within the Management Company:

- Risk Committee
- Financial Risk Committee
- Committee on Investment and Growth
- Sustainable Development Committee
- Committee on Environment, Health and Safety



Risk Committees

The Company has a Risk Committee and a Financial Risk Committee. The Risk Committee carries out operational management of the corporate risk management and internal control system. During Risk Committee meetings, which are joined by representatives of production functions, issues are resolved related to the general corporate risks of the Company (except for issues related to financial risks). Meetings of the Risk Committee are convened as needed on the initiative of the Chairman, a Committee member, or the management of Metalloinvest. In 2020, the Risk Committee held two meetings.

Notably, the Company's approach involves embedding elements of risk management into its business processes. Thus, risk management issues are discussed at meetings of the Company's management and when making decisions regarding items on the business agenda.

The Financial Risk Committee considers issues related to the management of the Company's financial risks (including credit, currency and interest rate risks) and sets financial risk limits. The Financial Risk Committee held 25 meetings in 2020.



Committee on Environment, Health and Safety

The Committee on Environment, Health and Safety (HSE) serves as a platform for making prompt decisions on priority tasks at a high management level.

The Company attaches special significance to managing occupational health and safety and environmental protection, and it actively develops and improves management tools pertaining to these matters. The Company therefore established a working group chaired by the CEO to make strategic and operational decisions on the functions and evolution of the HSE management system within the Company. This involves:

- Coming up with solutions to ensure compliance with state regulatory requirements in the field of HSE, creating safe working conditions, preventing industrial injuries and occupational diseases, and reducing the risk of accidents
- Providing information about the measures and initiatives for improving the state of HSE that have been implemented or are under development
- Formulating proposals for improving the performance of HSE, the environmental management system, and industrial environmental controls, as well as improving the sustainability positioning of the Company
- Allocating funds for the design and implementation of training grounds to practice high-risk operation skills in the CAPEX plan for 2021
- Executing a pilot project for behavioural safety audits at managed entities
- Allocating funds to the HR department for a psychometric testing project for employees of structural production units in 2020
- Developing a set of proposals to improve the status and role of the HSE department
- Holding informational sessions on the methodology for investigating the root causes of incidents for managers and specialists at managed entities
- The programme for implementing major OHS changes at the plants (the Gas Safety Program, Transport Safety Program, Contractor Management Program)
- The Safety Culture Development Programme, designed based on a study of industry best practices
- The programme to develop Rudstroy LLC, intended to elevate it to the next level in the construction industry

The Committee on Environment, Health and Safety serves as a platform for making prompt decisions on priority tasks at a high management level. It draws the attention of the Company's top management to safety and environmental protection issues, expediting decision-making and approval deadlines between services so that an action plan can be approved and resources allocated to address HSE issues.

In 2020, five meetings of the OHS Working Group were held. The main issues considered were as follows:

- The operation of several projects (the LOCKOUT/TAGOUT system, Determination of Root Causes of Incidents, the Risk Management System, Visualisation of Hazardous and Safe Areas)
- Supporting the Behavioural Safety Audit (BSA) project
- Setting individual occupational health and safety goals for 2021 based on analysis of injuries, accidents and incidents
- The Culture of Conscious Safety training course (for key managers of structural divisions and employees of the HSE streams at LGOK, MGOK, OEMK)

MANAGING SUSTAINABLE DEVELOPMENT

Sustainable development management is integrated into the current corporate governance structure of the Company. In 2020, its management structure was improved to reflect the philosophy and evolution of the Company's strategy.

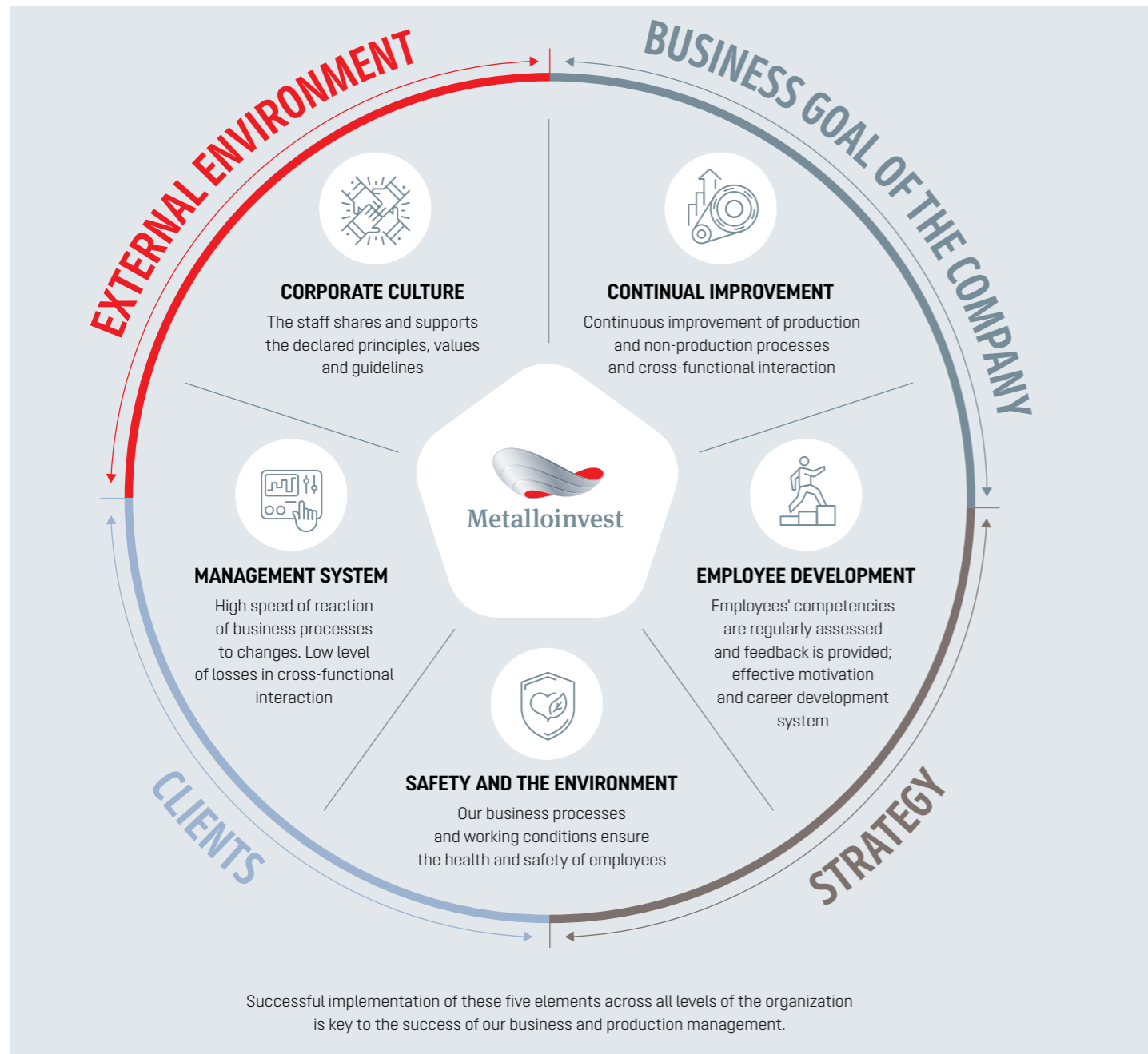
GRI 102-19

GRI 102-20

GRI 102-21

This entailed the creation of a new Sustainable Development Committee governed by the Management Board. Likewise, the Company introduced the position of Deputy CEO for Sustainable Development and Corporate Communications, who reports directly to the CEO. An effective management system facilitates the execution of the goals set forth in the Sustainable Development Policy [↗](#) and the development of programmes to create favourable conditions for the long-term sustainable development of the Company.²⁵

Moreover, a Social Council, consisting of trade union representatives and the Company's management, operates at the Company on an ongoing basis. The main task of the Council is to link the interests of employees and the employer when developing and implementing the staff and social policies of the Company.²⁶



BUSINESS SYSTEM

The Business System is both a philosophy of doing business and managing production and a comprehensive applied tool driven by the employees of the Company themselves. It is underpinned by a model that ensures the optimal and effective functioning of the key elements of the Company's activities across various levels, relying on the involvement of a diverse range of stakeholders.

In 2020, the Business System continued to develop according to the model and principles on which it is based. The company carried out an independent remote assessment of the Business System's maturity level, the results of which were consistent with the Company's vision and concept. The overall outcome reflects a positive trend in the development of Metalloinvest's Business System. The score for 2020 was 2.4 points, which is 0.3 points higher than in 2019. Following the next maturity assessment at the end of 2021, new goals and objectives will be set to achieve processes of the highest quality.

Depicted are the main elements of the Business System, enabling the Company to achieve the requisite level of development to be assessed by international companies such as Toyota Engineering.

Development has been consistent and robust. This is evidenced by the increase in staff involvement across all levels, the high number of employees trained to use the Business System, and the plethora of high-quality submitted ideas that have led to sustainable and tangible financial results for the Company. The tight integration of the Business System with OHS processes should also be noted.

The Company benefits consistently from efforts to develop the Business System, and the results of this process are successfully converted into economic indicators, partly owing to the methodology for recording and calculating the economic effect from the Business System's operations, which was developed within the Company.

The economic effect of the Factory of Ideas programme within the Business System across Metalloinvest's enterprises amounted to RUB 1.6 billion in 2020.

A total of 109 activities are currently being tracked to verify if they have had a sustainable impact, with an expected economic effect of RUB 518 million rolling over to 2021.

Kaizen events

Kaizen events are used to introduce work on the shop floor, starting with a shift meeting. Interviews with workers and foremen reveal their practical experience of dealing with losses and costs in the field. Likewise, business games cultivate vital skills and focus the attention of employees on issues that hinder the development of the structural unit. For example, Kaizen events at metallurgical enterprises have allowed main production units to identify medium- and long-term targets in six development areas — including technology, processes, personnel and equipment. At mining enterprises, this goal-setting process will take place in 2021.

RUB 1.6 BILLION

THE ECONOMIC EFFECT OF THE FACTORY OF IDEAS PROGRAMME ACROSS METALLOINVEST'S ENTERPRISES

²⁵ For more details, see Approach to sustainable development management section of the Sustainability Report [↗](#).

²⁶ For more details, see Approach to HR management section of the Sustainability Report [↗](#).

RISK MANAGEMENT AND INTERNAL CONTROL

GRI 102-11 GRI 102-15 GRI 102-30

RISK MANAGEMENT

Metalloinvest takes a responsible approach to managing risks, which it sees as a set of factors that can affect the strategic and operational results of the Company. In 2020, the risk management system was reorganised into the CRMICS. Accordingly, the existing regulations have been revised and new documents have been adopted. CRMICS is used to make well grounded managerial and production decisions, which has significantly increased the level of risk management and internal control integration with the Company's overall strategy.

GRI 102-11

The company applies the precautionary principle to its operations. Metalloinvest strives to proactively manage risks before they materialise, which is why it implements elements of risk management into every business process.

INTERNAL CONTROL

At the business process level, the risk management process is carried out through the Internal Control System (ICS), which is an integral part of the CRMICS. In developing the ICS, the Company relies on automated processes within the ERP system. This involves maintaining a unified process model; documenting the risks of key business processes; and implementing, regulating and monitoring control procedures.



The implementation of the ICS entails optimising and automating control procedures to improve the efficiency and transparency of business processes, reducing risks associated with the human factor and fraud, and increasing the share of intellectual labour.

As part of the ICS, the Company centrally manages risks associated with conflicts of authority between managers and employees in ERP systems, as well as outside them.

To prepare for accession, the Company set up a regular process for updating the risk level of business processes and control procedures using a specialised IT system and robotics. It also formalised approaches for assessing relevant risks and documenting the results of control procedures, reducing the risk level in a wide range of related business processes across Metalloinvest's companies.

In 2020, the Internal Control System received a new impetus for development. By decision of the Board of Directors, on 1 January 2020 LGOK entered tax-monitoring mode, a progressive form of interaction with the Russian Federal Tax Service that ensures proactive identification of tax risks and rapid resolution of disputed uncertain tax positions, also bolstering Metalloinvest's reputation as a good-faith taxpayer.



Main CRMICS regulations

RISK MANAGEMENT POLICY

Lays out the goals, objectives, basic principles and common approaches to organising the corporate-wide risk management system. Sets forth the key responsibilities of all participants at all levels of Company management, including individual employees

REGULATIONS ON THE CRMICS PROCESS

Establishes general requirements on how to implement business processes related to risk management, also specifying applied approaches and risk management tools

REGULATIONS ON THE ICS PROCESS, REGULATIONS ON INTERACTION WITHIN THE FRAMEWORK OF TAX MONITORING AT METALLOINVEST

Formulate requirements, procedures for interaction, and the responsibilities of Internal Control System participants in relation to the processes involved in the Company's Internal Control System

METHODOLOGY FOR ASSESSING REALISED RISKS, METHODOLOGY FOR DETECTING AND ASSESSING RISKS IDENTIFIED FOR TAX MONITORING PURPOSES

Regulate the approach to assessing the consequences of realised risks and their impact on financial and economic activities and indicators; distinguish between manageable and unmanageable risks and risk factors; formulate an approach to detecting and assessing risks for tax monitoring

Structure of the Risk Management and Internal Control System

GRI 102-30

The Board of Directors plays a fundamental role in risk management and internal control processes. Its responsibilities include approving regulatory documents for the CRMICS, defining the organisational principles of the CRMICS, confirming a roadmap for risk management, and determining the risk appetite for manageable risk factors. In turn, these are used to determine a financial limit when key decisions are made within the Company. The Board of Directors also reviews reports on risk management and internal control and formulates plans for the next reporting period.

The Risk Management and Internal Control department is a separate, specialised structural unit that handles risk management and internal control issues. In 2020, the internal control function was incorporated into this department. The department is authorised to:

- Organise and develop the CRMICS at the Company
- Coordinate the functioning of the system in the area of risk management and internal control, provide methodological support during decision-making processes, business planning, production asset management, performance management, and other business operations
- Form common approaches to risk management and internal control, develop and approve the risk-management-related regulatory and methodological documentation of the Company and make sure they are kept up-to-date
- Participate in the Company's decision-making processes by preparing timely and effective analyses of risks and control procedures in order to assist decision-makers (if required)
- Organise processes that ensure compliance with the legislation of the Russian Federation on tax monitoring

Each employee, from worker to top manager, is responsible for risk management and compliance with control procedures within their area of responsibility and competence.

Further details on the powers and functions of participants of the Risk Management System can be found in the Company's Risk Management Policy.

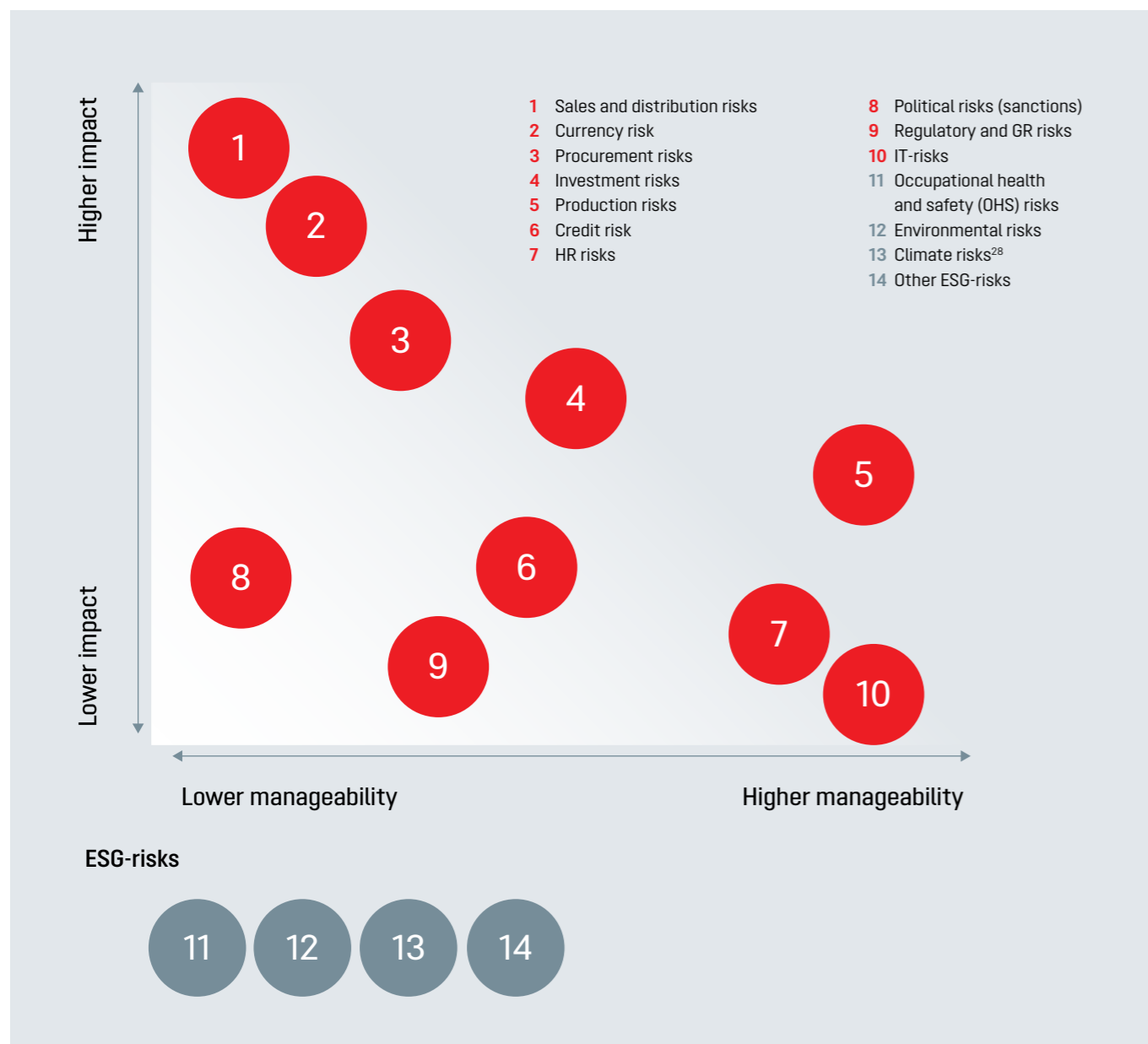
KEY CORPORATE RISKS

GRI 102-15

During the business planning process, the Company assesses key risks and opportunities that have the greatest potential impact on the achievement of business goals. This approach is supported by quantitative risk assessment tools such as Monte Carlo simulations.

The risk analysis conducted ahead of the 2021 budget revealed the following 10 key risks that could potentially affect the financial and economic activity plan. The following sustainability risks were also defined.²⁷ A response strategy has been devised for each key risk.

Analysis of key corporate risks by influence on the Company's goals in 2021



²⁷ For more details, see Sustainable development risk management section of the Sustainability Report.

²⁸ See the Appendices for a description and quantification of climate risks.

1. Sales and distribution risks

RISK FACTORS:

- Changes in market conditions for the Company's commercial products
- Destabilisation of supply and demand on the market due to COVID-19 and other crises affecting the world economy
- Logistics risks involving growth in the cost of freight transportation and a subsequent decrease in the economic attractiveness of certain markets; limited railroad capacities in the Far East; a shortage of rail cars and traction for rail transport
- Unstable quota regulations in other countries, changing conditions, and the possibility of new restrictions

MAIN RESPONSE STRATEGIES:

- A set of projects aimed at improving the quality of manufactured products

This group of risks had a positive impact on the Company's goals in 2020.

2. Currency risk

RISK FACTORS:

- Unbalanced currency position
- High volatility of currency exchange rates

MAIN RESPONSE STRATEGIES:

- A natural hedging strategy: in the event of a significant increase or decrease in foreign currency earnings, the resulting risk is offset by changes in the currency structure of the loan portfolio
- Currency reserves are created in advance in order to maintain currency liquidity when significant foreign currency payments are planned

The USD/RUB and USD/EUR exchange rates in 2020 were higher than planned, which had a positive impact on the Company's goals.

3. Procurement risks

RISK FACTORS:

- Changes in the cost of purchasing raw materials and supplies
- Risks of decreased efficiency of the procurement service
- Destabilisation of supply and demand on the market due to COVID-19 and other crises affecting the world economy
- Supply chain risks

MAIN RESPONSE STRATEGIES:

- Strategic engagement with key suppliers
- Targeted training for employees in each functional area
- Introduction of management reporting to identify deviations at an early stage

Procurement risks had a positive impact on the Company's goals in 2020.

4. Investment risks

RISK FACTORS:

- CAPEX overspending/savings
- Postponement of project launches
- Failure to achieve the KPIs of certain projects
- Changes in the profitability of projects during their implementation
- Business continuity risks for suppliers and contractors associated with COVID-19
- Risks associated with the evaluation and decision-making process of investment projects

MAIN RESPONSE STRATEGIES:

- Implementation of a pre-project design process that foresees simultaneous selection of technology and the core project solution
- Standardisation of contracting processes with the supplier and project designer (composition of documents and requirements to them)
- Regulation of approval procedures and pilot testing procedures
- Regulation for replicating pilot projects

Investment risks in 2020 were partially realised, mainly due to changes in the timing of projects. Deviation from the target values was within the established risk appetite.

5. Production risks

RISK FACTORS:

- Production incidents, unscheduled equipment downtime, additional costs, reduced equipment productivity, accidents and incidents
- Risks inherent to open pits and waste dumps

MAIN RESPONSE STRATEGIES, MINING DIVISION:

- Introduction of a technical upgrade policy, implementation of five-year equipment replacement programmes
- Comprehensive development programme for LGOK
- Comprehensive development programme for MGOK

MAIN RESPONSE STRATEGIES, METALLURGICAL DIVISION:

- Monitoring of demand and inventory planning
- Monitoring and organisation of compliance with schedules, fulfillment of the required amount of work, meeting planned maintenance and repair budgets
- Implementation of a scheduling system

Production risks were partially realised in 2020. Deviation fell within the established risk appetite.

6. Credit risk

RISK FACTORS:

- Worsening of the financial position of counterparties, bankruptcies, and sanctions against banks
- Refusal of banks and insurance companies to insure receivables

MAIN RESPONSE STRATEGIES:

- Credit risk is managed in accordance with the Company's Credit Risk Management Regulations

The credit risk was partially realised in 2020. Deviation was within the established risk appetite.

7. HR risks

RISK FACTORS:

- Failure to take advantage of potential to increase efficiency
- Social tension as a result of lay-offs in the regions of presence
- HR risks in relation to key employees
- Lack of availability of personnel due to COVID-19
- Changes in payroll costs

MAIN RESPONSE STRATEGIES:

- Changes to the performance management system
- Digital HR projects
- A set of measures to transform corporate culture, building a culture of ongoing efficiency growth

8. Geopolitical risks (sanctions)

RISK FACTORS:

- Sanctions of foreign states against individual companies and/or individuals and/or the mining and metallurgical industry of the Russian Federation
- Geopolitical uncertainty
- Sanctions against the banking system of the Russian Federation

MAIN RESPONSE STRATEGIES:

- Compliance control

9. Regulatory and GR risks

RISK FACTORS:

- Changes in the legislation of the Russian Federation
- Anti-dumping and export duties
- Risks of interaction with government bodies

BASIC RESPONSE STRATEGIES:

- Constant interaction with government bodies, defending the Company's position when considering new draft laws

10. IT risks

RISK FACTORS:

- Obsolescence of certain ASMS elements
- Loss of a qualified team
- Unstable operation of IT systems
- Disconnection of cloud IT solutions in the event of sanctions

MAIN RESPONSE STRATEGIES:

- Digital business transformation projects
- IT infrastructure modernisation
- Organisation of corporate trainings in the field of digital technology

Sustainability risks²⁹ are assessed not by their impact on the Company's financial results, but by their impact on the achievement of relevant sustainability goals. The Company conducts factor analysis of sustainability risks and determines an appropriate response strategy.

List of risk management and internal control plans for 2021

As stipulated by the approved corporate-wide plan for 2020–2022, the risk management system is being developed in five areas:

- Integration with Company business processes; use of stochastic approaches
- Formation of a risk appetite and subsequent decomposition
- Documentation of the corporate-wide risk management system and disclosure of risks
- Development of a risk-oriented culture
- Extension of the risk management system's parameters

Tasks for developing the CRMICS in 2021 include:

- Introducing quantitative risk assessment procedures for large projects at the Board of Directors level
- Making amendments to business planning regulations
- Determining key manageable risk factors that should be reflected in the Company's goal-setting system
- Ensuring methodological support and cooperation in risk management concerning OHS and EHS (environmental protection), internal audit, commercial activity, safety issues, and financial risk management
- Cascading the ICS to subsidiaries
- De-bureaucratising the Company's processes, including by optimising and unifying document flow processes

²⁹ For more information, see Sustainable development risk management section of the Sustainability Report [↗](#).

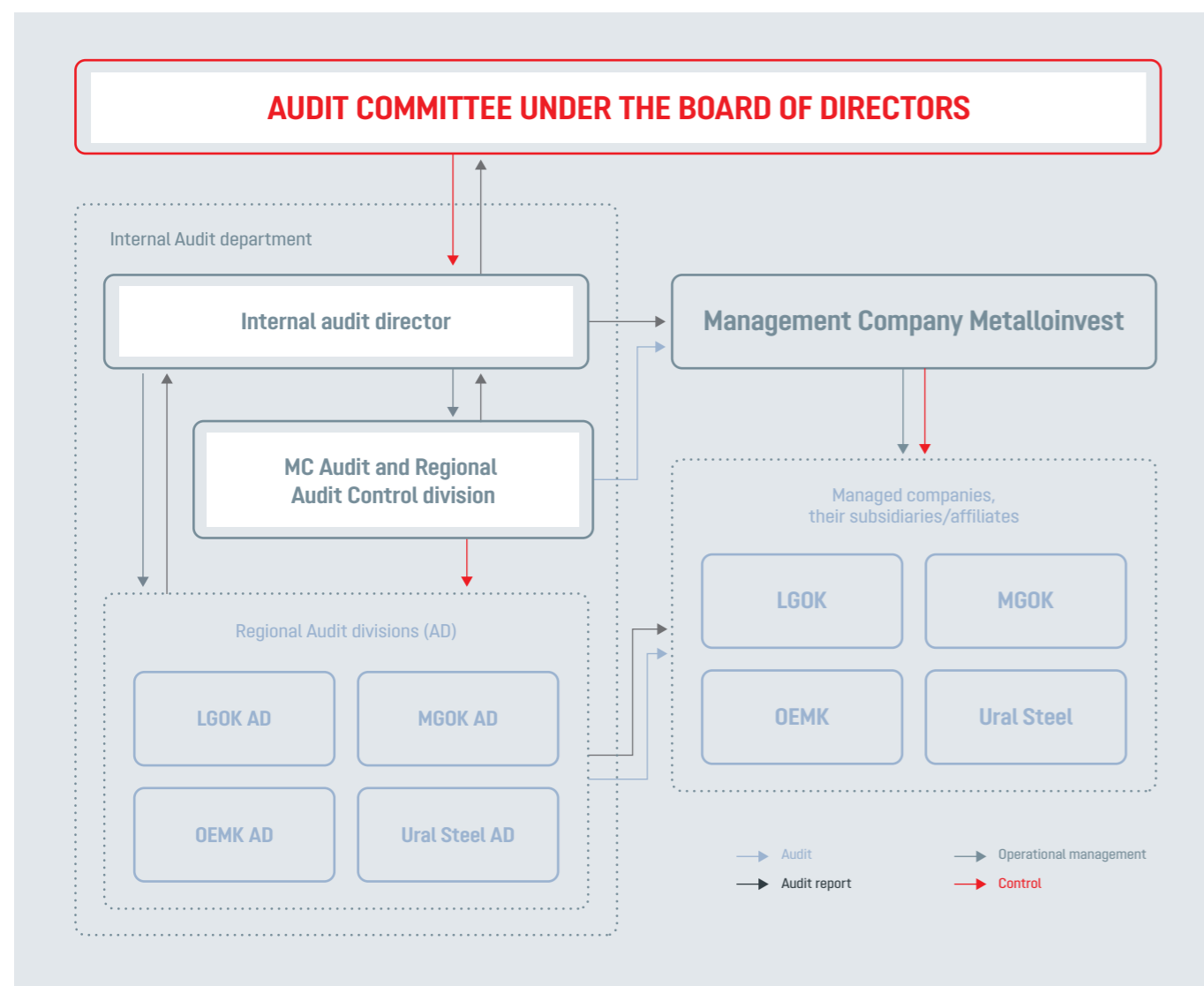
INTERNAL AUDIT SYSTEM

The main purpose of internal audits is to help the Company attain its goals through a systematic, consistent approach to assessing and enhancing the effectiveness of risk management, control procedures and corporate governance.

The autonomy and objectivity of internal audits are ensured by the function's subordination to the **Board of Directors' Audit Committee**, which is headed by an independent director.

The internal audit function in the Company is centralised. The internal audit departments, located at the Company's business units, report to an Internal Audit Director.

Structure of the internal audit system



Internal audits are regulated by the International Standards for the Professional Practice of Internal Auditing and comply with the Code of Corporate Ethics of Internal Auditors.

The goals, powers, and responsibilities of Metalloinvest's internal auditors are established by the **Internal Audit Regulations**, which have been approved by the Board of Directors.

The priorities of internal audit are determined on the basis of the strategic goals of the Company, taking into account the results of the risk assessment, the Company's performance indicators, and the concerns of the Board of Directors and Company management. The risk-based internal audit plan is considered by the Audit Committee and approved by the Board of Directors, as is the structure, size and budget required to implement it.

The Audit Committee reviews reports on the activities of the internal audit departments twice a year and regularly discusses current issues with the Internal Audit Director.

In 2020, 22 audits were carried out in the following areas:

- Corporate governance and sustainability processes
- Maintenance and repairs
- Management of operating efficiency
- Supply management
- Production operations and reporting

Recommendations are developed based on the audit results to improve internal control procedures and the efficiency of specified processes. Controls are in place over the remedial measures decided upon by management, and the implementation of recommendations is monitored.

In accordance with the approved Programme for ensuring and improving the quality of internal audit, in 2020 the Company executed an internal assessment of internal audit quality. Based on the assessment results, the Company formulated a plan for developing the internal audit function in 2021.

EXTERNAL AUDITOR

Metalloinvest's financial and accounting statements are prepared in accordance with Russian Accounting Standards (RAS) and IFRS. The Company engages an external independent auditor to verify and validate its financial and accounting statements.

The auditor is selected from among recognised independent firms that meet the criteria set forth in the Company's Auditor Selection Regulations, which are approved by the General Meeting of the Company's Shareholders. The auditor is selected through the appropriate procedure. The main selection criteria are qualifications, quality of service, and the service fee.

In 2020, the Company's IFRS financial statements and RAS accounting statements were audited by PricewaterhouseCoopers (PwC). PwC has an extensive network of branches covering all major existing and emerging markets. It maintains representative offices in 155 countries with over 276,000 employees around the world.

For more information, please refer to www.pwc.com.

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Company's annual reports



<https://www.metalloinvest.com/en/investors/reports/>

Company's sustainability reports



<https://www.metalloinvest.com/en/development/csr-reports/>