

Preliminary approved by the decision  
of the Board of Directors of PJSC MMK  
Minutes of 20 April 2023 No. 10

Approved by the Annual General Shareholders'  
Meeting of PJSC MMK  
Minutes of \_\_\_\_\_ No. \_\_\_\_



# MMK Annual Report 2022



Chief Executive Officer  
Director of LLC MMK  
Accounting Center

P. V. Shilyaev  
O. Y. Samoylova

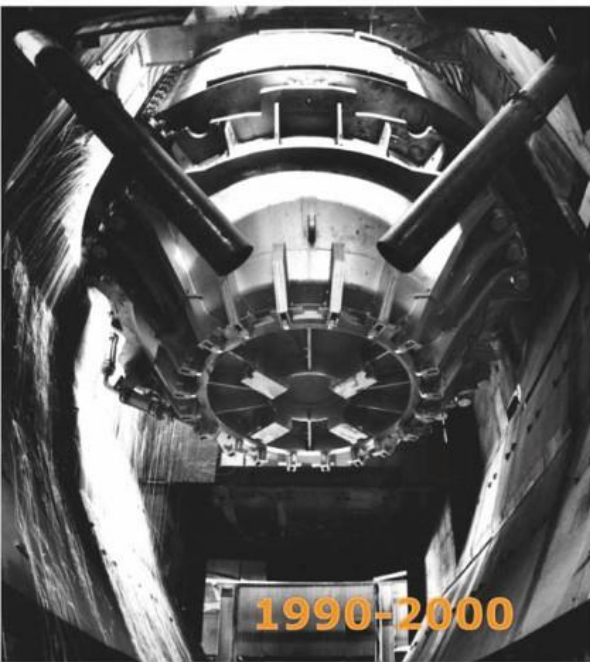




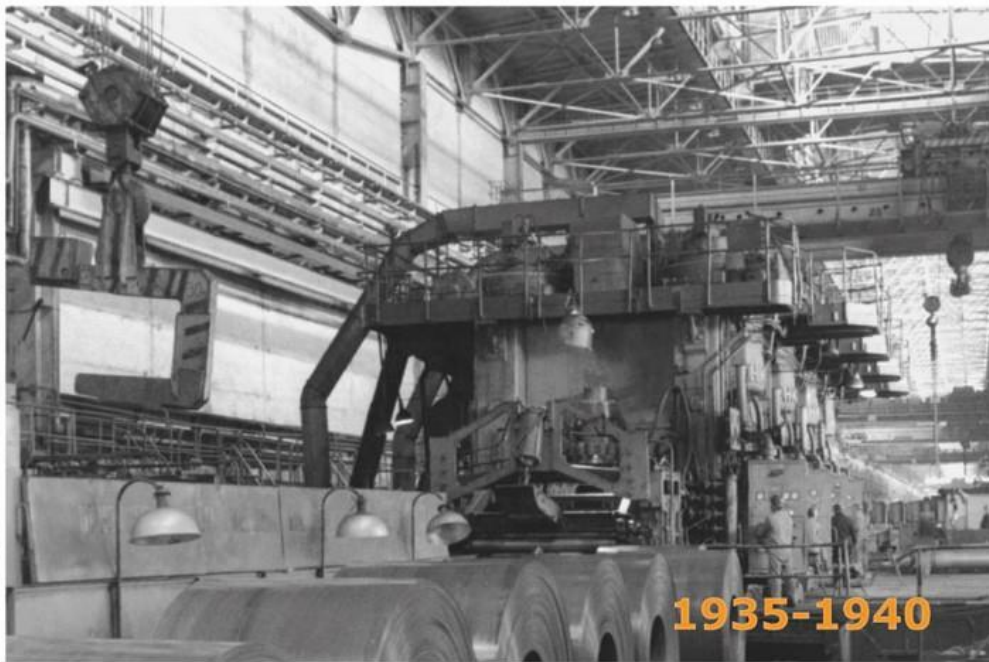
1933



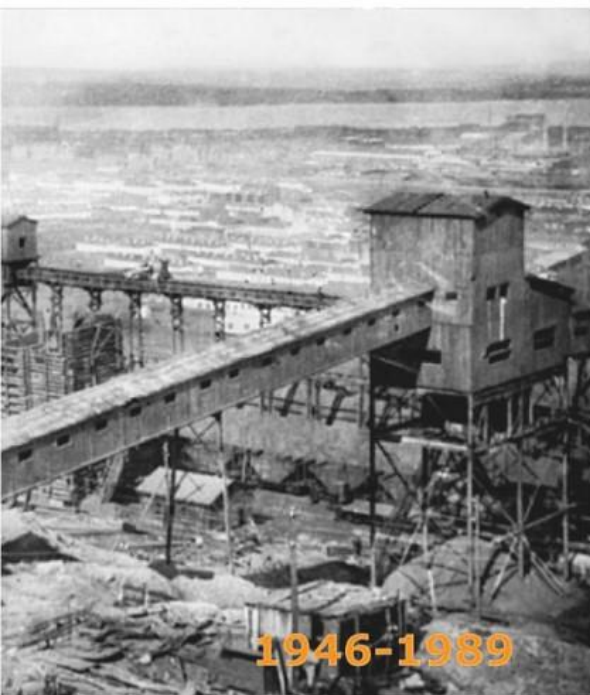
1934



1990-2000



1935-1940



1946-1989



years  
in steel making

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# Message from Pavel Shilyaev, MMK Chief Executive Officer

**Dear shareholders, colleagues and partners,**

2022 was a period of real challenges. We faced an unprecedented number of restrictions imposed on both the country and our Company. The tense geopolitical environment was accompanied by market volatility and uncertainty, as well as other challenges. The global macroeconomic environment with the greatly accelerated inflation put significant pressure on demand for metal products. Export problems and the difficult situation on foreign markets impacted our sales, while the production volume was affected by overhauls in blast furnace operations during the year.

Nevertheless, the MMK team's expertise and the responsiveness to constantly changing conditions have helped us to overcome the existing issues. We adjusted our sales policy, expanded the range of partners and increased the production of import-substituting products. As a result, sales of metal products reached 10.7 million tonnes, which is down 14% compared to 2021, yet close to 10.8 million tonnes sold in 2020. At the same time, we maintained our focus on providing consumers with premium products, which accounted for 44% of sales.

**“We have faced many challenges throughout our history. We are ready for them and know how to work under uncertainty”.**



## Investing activity

We continued to implement our investment programme both to strengthen our leadership position in the Russian metals sector and to reduce our environmental footprint.

According to MMK Group's Strategy 2025, the Company aims to build a sustainable future for all stakeholders and carry out a fundamental upgrade of the primary processing stages to improve operational efficiency and environmental safety and enhance product quality.

We continued the construction of coke-oven battery No. 12, our large-scale investment project. Its phased commissioning in 2023–2024 will make it possible to produce 2.5 million tonnes of dry coke per year and to gradually decommission obsolete facilities.

In 2022, we also completed the overhaul of blast furnaces No. 9 and No. 10.

In the current environment, we are updating our investment programme in order to focus our efforts on the most promising and important areas and to postpone non-essential projects to other periods.

## Environmental activity

We focus on the implementation of environmental programmes that are an integral part of our ESG strategy. In 2022 investments in this area amounted to a record \$437 million (RUB 30 billion).

Several major projects were completed over the past year. We commissioned a gas-cleaning complex in the BOF facilities. Reconstruction of the dust and gas collection units and gas exhaust ducts of BOFs Nos. 1, 2 and 3, as well as the cast iron overflow department allowed us to increase the efficiency of secondary emissions capture and reduce gross dust emissions by hundreds of tonnes. Another project was implemented in the EAF facilities where we completed the reconstruction of gas-cleaning units.

The construction of coke-oven battery No. 12 is also aimed at solving environmental issues. Implementation of the project will ensure a reduction in gross air emissions by 11.35 thousand tonnes per year and waste-free production due to the introduction of a dry coke quenching unit. We expect that with the launch of the new battery complex and decommissioning of obsolete facilities MMK will make a big step to reach the goal of reducing carbon dioxide emissions to 1.8 tonnes of CO<sub>2</sub>-eq./t of crude steel.





## Digital innovation

The introduction of digital technologies helps us to improve the efficiency of business processes and equipment productivity, as well as to significantly improve the safety and environmental efficiency of production. In order to achieve our goals and objectives in this area, we continue to work on our Digitalisation Strategy 2025. Despite the pull-out of foreign companies from the Russian Federation, the MMK Group implemented 36 digital projects over the past year and the economic effect of previously implemented digital projects reached \$8.47 million. The development of an automated digitalisation management system MMK-Tsifra (MMK-Digit) was an important result of 2022.

## Social strategy

People are MMK's most valuable asset, so in 2022 we continued to improve the safety culture by eliminating the root causes of accidents. These efforts resulted in a decrease in the Lost Time Injury Frequency Rate (LTIFR) by 12.9% year-on-year to 0.54.

The Company puts a strong focus on support for local communities. MMK is actively involved in the development of infrastructure, cultural and sports facilities, and provides support to public associations and educational institutions of Magnitogorsk and the neighbouring regions. All social programmes planned for 2022 were implemented in full, including the support for veterans, disabled people, large families, low-income citizens and other disadvantaged groups. In 2022 MMK spent \$15.3 million on charity and social programmes.

MMK also strives to meet the highest standards of human rights protection and development in all regions of the Company's presence.

## Developing corporate culture

We support diversity and create an inclusive working environment at PJSC MMK Group companies. Equal opportunities in training, remuneration and career development are integral components of our corporate culture.

In 2022, we launched an interactive training platform for the Company's employees, where they can obtain new and develop existing professional skills and competencies, improve their knowledge in various areas, and independently build a career path.

## Commitment to sustainable development

In conclusion, I would like to express my gratitude to our large and close-knit team of highly qualified specialists, and to emphasise their achievements. Despite the unprecedented geopolitical and economic circumstances, they have been able to quickly adapt and restructure all the Company's processes to adjust to the new environment.

In 2022, the team of researchers and specialists of our Company received the National Award in Science and Technology. MMK activities related to the development of information technologies and environmental protection were highly appreciated by the professional community. This is our common merit.



In these undoubtedly trying times I would like to thank our shareholders, investors and partners for the trust given to our team.

Over more than 90 years of history, MMK has faced many and different challenges, both economic and geopolitical. Still, one thing remains unchanged — we have always successfully overcome these challenges and entered new development stages, strengthening our leadership on the metal products market and reaching new milestones.







# 2022 Highlights





## OPERATIONAL

**11.7** mt

**STEEL OUTPUT**

2021: 13.6 m tonnes

**10.7** mt

**SALES OF METAL PRODUCTS**

2021: 12.5 m tonnes

**44.0%** **SHARE OF PREMIUM PRODUCTS IN GROUP SALES**

2020: 41.8%



## SUSTAINABILITY

**0.54**

**LTIFR**

2021: 0.62

**18.95**

**LTISR**

2021: 23.20\*

**2.19** T OF CO<sub>2</sub>E/T OF STEEL

**GHG INTENSITY**

2021: 1.95 t of CO<sub>2</sub>e/t of steel

\* At the end of 2021, the method to calculate injury rates was introduced. Accidents registered in MMK Group's industrial site was used for calculation including outside companies.



# About MMK Group



We use high-tech and top-end solutions to produce premium quality steel products. Our asset base with a full production cycle from extraction and processing of raw materials to production of steel products makes us one of the most cost-effective steelmakers in the world. MMK's shares are traded on the Moscow Exchange under the ticker symbol MAGN.

## MMK – is a leading Russian metals company

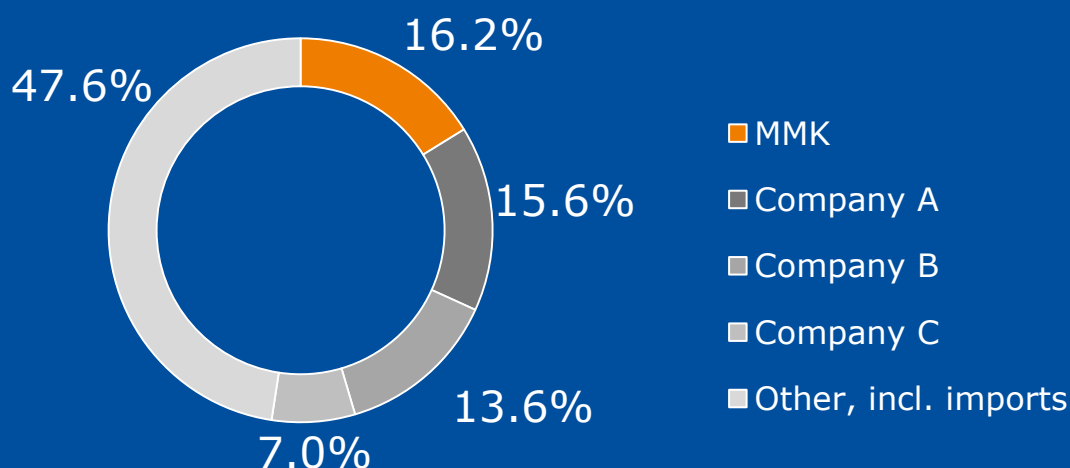


- Steel supplier in the Russian market
- Producer of premium products in Russia
- Steel supplier for the automotive industry in Russia
- Supplier of galvanised and polymer-coated steel in Russia
- The only producer of tinplate in Russia

### Share of MMK Group in the supplies to the Russian market

**16.2%**

### Share of MMK and its peers in the Russian market



**We integrate sustainability into our strategy and operations**

**0.54**

■ **LTIFR**

**2.19**

■ **t CO<sub>2</sub>e / t of crude steel**

**USD 15.3 million**

**Investment in local communities and charity**

**KEY SDGS:**



## **MMK Group operates across three business segments located in Russia and Turkey**

### **Steel segment Russia is focused on the market of Russia and the countries of Former Soviet Union (FSU)**

The Russian steel segment includes the main asset MMK located in Magnitogorsk, Chelyabinsk Region. The segment also includes an iron ore production and processing facility, a top-three metalware producer in Russia and one of Russia's largest producers of polymer-coated steel products with a unique high quality coating.

### **Steel segment Turkey produces and sells steel products in the markets of the Middle East, Europe and Asia**

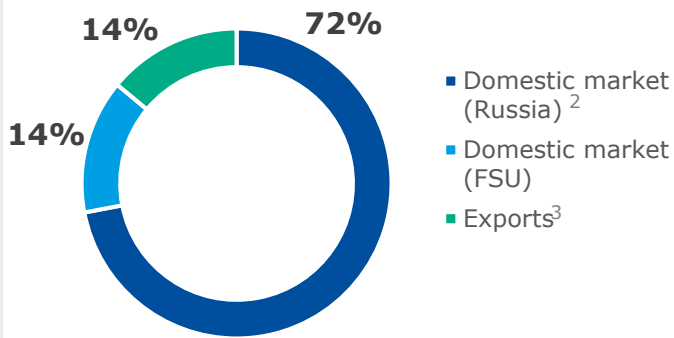
The Turkish segment includes an enterprise with a compact strip production facility producing hot-rolled products, cold-rolled and coated steel production facilities and its own port.

### **Coal mining segment meets MMK Group's needs for coal concentrate**

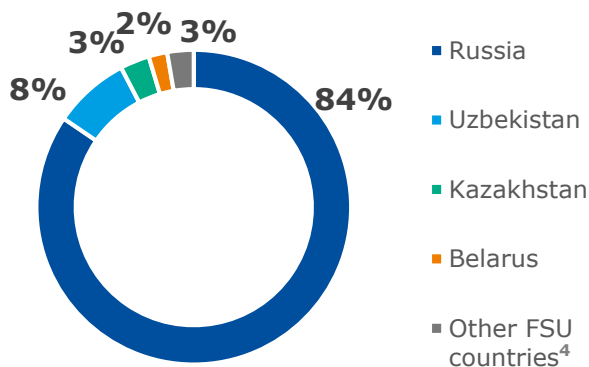
Coking coal concentrate from our Kemerovo mines is used in Magnitogorsk to produce coke for steelmaking.



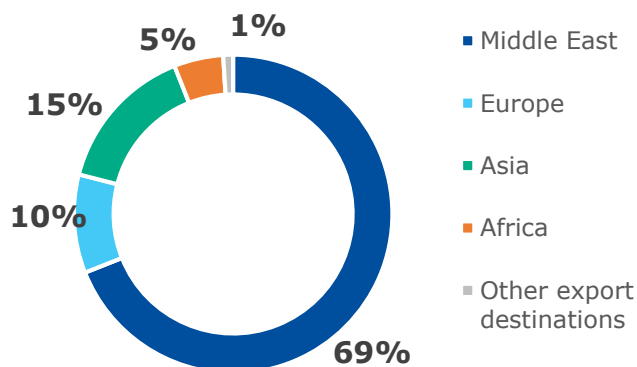
## Group sales<sup>1</sup>



## Domestic market sales



## Export market sales



MMK's prime geographical location means it is ideally-placed to supply its products to the regions of Russia and FSU countries with the highest levels of metal consumption

**10,703** thousand tonnes

MMK GROUP SALES

**9,176** thousand tonnes

DOMESTIC MARKET SALES

**1,526** thousand tonnes

EXPORT MARKET SALES

<sup>1</sup> Hereinafter, the share is calculated as a percentage of steel products sales in tonnes.

<sup>2</sup> For Russia Steel Segment, the domestic market includes Russian and FSU markets that are geographically close to MMK Group.

<sup>3</sup> Including the sales of Turkey Steel Segment.

<sup>4</sup> Ukraine, Georgia, Armenia, Azerbaijan, Turkmenistan, Tajikistan, Kyrgyzstan, Moldova.



# Investment Case



# Russia's leading steel producer

Making the most of its favourable geographical location, MMK boasts of unique advantages for strengthening its market position and further sustainable growth in the steel sector, based on the long-established heritage and experience of generations gained by metals producers.

The Company has a wide range of opportunities to produce unique and world-class high-tech metal products.



# Common Features

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## 1 Prudent capital allocation:

- investment projects internal rate of return (IRR) >20%
- transparent dividend policy with free cash flow payout.

## 2 Low cost profile:

- the first quartile on the global cost curve.

# Uncommon Features

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## 3 Lowest debt burden:

- strongest balance sheet in the sector.

**Our long-term objective is to ensure that the Group's Net Debt/EBITDA ratio is no more than 1.0x.**

**Financial stability remains a key focus for the Group. MMK's debt burden is one of the lowest in the industry: net debt/EBITDA ratio is negative as at the end of 2022.**

**High-level credit ratings**

**AA+(RU)**

**ACRA**



# Rare Features

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## **4 Unique market exposure:**

- more than 80% of our products are sold in the domestic market: Russia and Former Soviet Union (FSU). The Russian regions where MMK's customers are based account for over 45% of all steel consumed in Russia
- leading position in the Russian metal products market with a share of 16.2%
- leading position in the premium metal products market in Russia with a share of 24%
- a unique supplier for large diameter pipe producers, machine-building, automotive, household appliances and food industries
- leader in supplies to FSU with a market share of more than 10%.

## **5 A unique high-quality product portfolio:**

- 44% of products sold are premium products.

## **6 Unparalleled access to raw material base:**

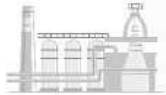

- The forecasted cooling of iron ore prices should support better MMK earnings momentum vs peers in the long-term.



# Business Model



**MMK brings together the processes that shape integrated and efficient production: an innovative approach to raw materials production and methods of use, operational efficiency culture, digital innovations to ensure sustainable growth.**

CAPITAL	CREATING VALUE THROUGH EFFECTIVE CORPORATE GOVERNANCE	PRODUCTS	RESULTS															
<p><b>FINANCIAL</b></p> <ul style="list-style-type: none"> <li>The strongest balance sheet in the sector</li> <li>A large portfolio of available, undrawn credit facilities</li> <li>Prudent capital allocation</li> <li>CAPEX: \$1,098 m</li> </ul> <p><b>PRODUCTION</b></p> <ul style="list-style-type: none"> <li>Pig iron (8 blast furnaces): <b>10 million tonnes per year</b></li> <li>Steel (3 BOF): <b>10 million tonnes per year</b></li> <li>Steel (2 electric arc furnaces and 1 double-heat furnace): <b>6 million tonnes per year</b></li> </ul> <p><b>INTELLECTUAL</b></p> <ul style="list-style-type: none"> <li>Collaboration (technical higher educational institutions): <b>27</b></li> <li>Patent applications: <b>3</b></li> <li>R&amp;D expenses: <b>\$8.8 m</b></li> </ul> <p><b>HUMAN</b></p> <ul style="list-style-type: none"> <li>Employees: <b>&gt; 53 thousand</b></li> <li>Investment in employee training and development: <b>\$15.5 m</b></li> <li><b>52,333</b> man-courses completed by MMK Group employees as part of training</li> <li><b>34,191</b> man-courses of OHS training were taken</li> </ul> <p><b>NATURAL</b></p> <ul style="list-style-type: none"> <li>Environmental protection CAPEX: <b>\$317 m</b></li> <li>Energy intensity: <b>27.41 GJ/t of steel</b></li> </ul> <p><b>SOCIAL AND RELATIONSHIPS</b></p> <ul style="list-style-type: none"> <li>Divisions of own sales network: <b>53</b></li> <li>Existing suppliers database: <b>2,143</b></li> <li>Charity investments, development of the regions of presence: <b>\$15.3 m</b></li> </ul>	<p><b>Our goal</b> MMK strives to produce and supply high-quality metal products, creating value for our shareholders and other stakeholders, improving the quality of life for our employees and local communities in the regions where the Company operates, using the strength and durability of MMK steel for the benefit of our clients and the world.</p> <p><i>Corporate Governance &gt; page 88</i></p> <p><b>Our strategic goals:</b></p> <ul style="list-style-type: none"> <li>To be the best supplier</li> <li>To be a leader in operational excellence</li> <li>To be a responsible and sustainable business</li> </ul> <p><i>Strategy &gt; page 56</i></p> <p><b>Our sustainable value creation chain is based on prudent capital allocation and rational risk management</b></p> <table border="0"> <tr> <td data-bbox="459 592 645 639"><b>Raw materials</b> &gt; pages 35</td> <td data-bbox="712 592 853 639"><b>Production</b> &gt; pages 49</td> <td data-bbox="949 592 1048 639"><b>Products</b> &gt; Page 52</td> <td data-bbox="1218 592 1330 616"><b>Customers</b></td> </tr> </table> <p>We use our own iron ore and coal</p> <p>MMK is a vertically integrated company encompassing the entire production chain</p> <p>We produce flat, long and further processed products with a focus on premium products</p> <p>We supply products for various sectors of industry enabling economic growth</p> <p><b>Self-sufficiency</b></p> <table border="0"> <tr> <td>Electricity</td> <td><b>75%</b></td> </tr> <tr> <td>Iron ore</td> <td><b>16%</b></td> </tr> <tr> <td>Coal concentrate</td> <td><b>40%</b></td> </tr> <tr> <td>Scrap metal</td> <td><b>61%</b></td> </tr> </table> <p><b>Pig iron 10</b> MILLION TONNES PER YEAR production in eight blast furnaces</p>  <p><b>Steel 10</b> MILLION TONNES PER YEAR production in oxygen-converter shop</p>  <p><b>Share of premium products in sales<sup>5</sup> 44%</b></p> <p><b>Product structure</b></p> <table border="0"> <tr> <td>45%</td> <td>11%</td> <td>44%</td> </tr> </table> <ul style="list-style-type: none"> <li>Premium products</li> <li>Hot-rolled products</li> <li>Long and semi-finished products</li> </ul> <p><b>Industries &amp; Sectors</b></p> <ul style="list-style-type: none"> <li>Construction and construction materials manufacturing</li> <li>Fuel and energy</li> <li>Automotive</li> <li>Transport (special-purpose machinery, trains and ships)</li> <li>Infrastructure (railways, bridge building, road fencing, power lines, etc.)</li> <li>Packaging</li> <li>Household appliances and consumer goods</li> </ul> <p><b>Sales markets</b></p> <p><b>Domestic market sales 86%</b> of our sales are made within the domestic market (Russia and FSU countries)</p> <p><b>Exports 14%</b> of our sales are to export markets (Asia, Middle East, North Africa, etc.)</p> <p><b>Learn more about our production process on page 29</b></p>	<b>Raw materials</b> > pages 35	<b>Production</b> > pages 49	<b>Products</b> > Page 52	<b>Customers</b>	Electricity	<b>75%</b>	Iron ore	<b>16%</b>	Coal concentrate	<b>40%</b>	Scrap metal	<b>61%</b>	45%	11%	44%	<p><b>Pig iron production 9.1 MT</b></p> <p><b>Crude steel production 11.7 MT</b></p> <p><b>Crude steel production 10.7 MT</b></p> <p><b>Sales of premium products 4.7 MT</b></p> <p><b>Gross air emissions<sup>6</sup> 157.1 KT</b></p>	<p><b>FINANCIAL</b></p> <p>Strong financial position with the lowest debt burden in the sector and stable financial performance <i>Stakeholders: investors, employees, suppliers, contractors</i></p> <p><b>PRODUCTION</b></p> <p>↑ Steel capacity utilization BOF: <b>100%</b>, + 3 pp YoY ↓ Steel capacity utilisation EAF: <b>64%</b>, -25 pp YoY ↓ Suspension of the casting and rolling module in Turkey in November 2022 <i>Stakeholders: employees, customers</i></p> <p><b>INTELLECTUAL</b></p> <p>↓ Development of new products: <b>877 thousand tonnes</b>, -8.7% YoY ↑ Patents issued: <b>4</b>, +100% YoY <i>Stakeholders: employees, customers</i></p> <p><b>HUMAN</b></p> <p>↑ LTIFR: <b>0.54</b>, -12.9% YoY ↑ LTISR: <b>18.95</b>, -18.3% YoY ↑ Employee engagement: <b>77.9%</b>, +0.1 pp YoY <i>Stakeholders: employees</i></p> <p><b>NATURAL</b></p> <p>↓ Specific emissions of CO<sub>2</sub> equivalent<sup>6</sup>: <b>2.19 t/t of steel</b>, Scope 1 + 2, +12.3% YoY ↑ Waste generated: <b>12,353 thousand tonnes</b>, -14.6% YoY ↑ Specific dust emissions: <b>1.06 kg/t of steel</b>, -3.6% YoY ↓ Specific air emissions<sup>6</sup>: <b>14.6 kg/t of steel</b>, +9.8% YoY ↑ Total reclamation area<sup>6</sup>: <b>36.1 ha</b>, +26.7% YoY <i>Stakeholders: local communities</i></p> <p><b>SOCIAL AND RELATIONSHIPS</b></p> <p>↑ OTIF: <b>81</b>, +9 pp ↑ Savings resulting from supply and procurement strategies: <b>\$14.3 m</b>, +91% YoY ↑ Assistance provided to <b>46</b> schools ↑ Assistance provided to <b>21</b> thousand elderly persons <i>Stakeholders: customers, suppliers, state authorities, local communities</i></p> <p>↑ Value creation ↓ Value erosion</p>
<b>Raw materials</b> > pages 35	<b>Production</b> > pages 49	<b>Products</b> > Page 52	<b>Customers</b>															
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<sup>5</sup> Hereinafter, the share is calculated as a percentage of steel products sales in tonnes.

<sup>6</sup> MMK data.





# Stakeholder Engagement



Employees	Investors	Customers	Suppliers and contractors	Local communities	Government bodies
<b>Material topics</b>					
<ul style="list-style-type: none"> <li>Occupational health and safety</li> <li>Human rights</li> <li>Employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>Energy efficiency</li> <li>Waste management</li> <li>GHG emissions and climate change</li> <li>Air emissions</li> <li>Water management</li> <li>Occupational health and safety</li> <li>Corporate governance</li> <li>Anti-corruption and business ethics</li> <li>Supply chain</li> <li>Economic performance</li> </ul>	<ul style="list-style-type: none"> <li>Energy efficiency</li> <li>Waste management</li> <li>GHG emissions and climate change</li> <li>Air emissions</li> <li>Water management</li> <li>Occupational health and safety</li> <li>Supply chain</li> <li>Economic performance</li> </ul>	<ul style="list-style-type: none"> <li>Occupational health and safety</li> <li>Anti-corruption and business ethics</li> <li>Supply chain</li> <li>Economic performance</li> </ul>	<ul style="list-style-type: none"> <li>Biodiversity</li> <li>Air emissions</li> <li>Water management</li> <li>Occupational health and safety</li> <li>Development of local communities</li> <li>Anti-corruption and business ethics</li> <li>Economic performance</li> </ul>	<ul style="list-style-type: none"> <li>Biodiversity</li> <li>Waste management</li> <li>GHG emissions and climate change</li> <li>Air emissions</li> <li>Water management</li> <li>Occupational health and safety</li> <li>Development of local communities</li> <li>Anti-corruption and business ethics</li> <li>Economic performance</li> </ul>
<b>Stakeholders' interests and expectations</b>					
<ul style="list-style-type: none"> <li>Compliance with the Labour Code of the Russian Federation, Collective Bargaining Agreement, MMK internal regulations and policies</li> <li>Decent remuneration and social benefits</li> <li>Preservation of the work position</li> <li>Career growth and development opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Share price growth and stable dividend income</li> <li>Financial and operational performance</li> <li>Efficient practices and high level of corporate governance and risk management, including sustainable development</li> <li>Implementation of the corporate development strategy</li> </ul>	<ul style="list-style-type: none"> <li>Product quality, service and customer focus</li> <li>Orders completed on time and in full, supply discipline</li> <li>New types of products</li> <li>Safe production, packaging, warehousing and transportation of products</li> <li>Accident-free work during the use of</li> </ul>	<ul style="list-style-type: none"> <li>Fair and transparent terms of participation in procurement procedures</li> <li>Delivery on contractual obligations</li> <li>Safety culture development</li> <li>Business ethics and anti-corruption matters</li> <li>Support for OHS processes performed by contractors</li> </ul>	<ul style="list-style-type: none"> <li>Economic performance and market presence</li> <li>Social stability in the region</li> <li>Investments in regional development</li> <li>Safe working conditions and environmental protection</li> <li>Enhancing environmental performance</li> <li>Diversifying the economy of the region</li> </ul>	<ul style="list-style-type: none"> <li>Economic performance and market presence</li> <li>Compliance with laws, including anti-corruption laws</li> <li>Social and economic development of the region and provision of employment</li> <li>Timely payment of taxes in full</li> <li>Legislation improvement</li> </ul>



Employees	Investors	Customers	Suppliers and contractors	Local communities	Government bodies
<ul style="list-style-type: none"> <li>• Safe working conditions and environment</li> <li>• Ensuring OHS of production (technological) processes</li> </ul>	<ul style="list-style-type: none"> <li>• Prevention of environmental impact when implementing projects</li> <li>• Implementation and certification of the OHSMS<sup>7</sup>, EMS<sup>8</sup> and QMS<sup>9</sup> to provide compliance with ISO requirements</li> <li>• Preparation and disclosure of OHS and environmental reporting</li> </ul>	<ul style="list-style-type: none"> <li>• equipment, buildings and facilities</li> <li>• Economic performance and market presence</li> <li>• Integration of sustainability principles into operations</li> <li>• Carbon intensity and energy efficiency of production</li> </ul>		<ul style="list-style-type: none"> <li>• of presence and creating additional work positions</li> <li>• Readiness for cooperation</li> <li>• Availability (openness) and reliability of information</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation and research activities</li> <li>• Meeting environmental obligations</li> </ul>
<b>Engagement mechanisms and tools</b>					
<ul style="list-style-type: none"> <li>• My MMK corporate app</li> <li>• Employee surveys</li> <li>• Social media</li> <li>• Safety Director hotline, e-mail, post office box</li> <li>• Ethics hotline, e-mail, Ethics post office box</li> <li>• Sharing information about the activities of the Employee corporate training centre</li> </ul>	<ul style="list-style-type: none"> <li>• Social media, news blogs and the events plan on the Company's official website</li> <li>• Annual General Shareholders' Meetings</li> <li>• Online Status. Shareholder's Account information online service for shareholders on the Company's official website</li> </ul>	<ul style="list-style-type: none"> <li>• Certification of quality management systems at MMK and Group entities</li> <li>• Operation of the unified information system for managing corrective measures based on claim settlement work</li> <li>• Annual surveys to collect feedback and determine the customer satisfaction level</li> </ul>	<ul style="list-style-type: none"> <li>• Formalised tender procurement procedures</li> <li>• Electronic trading platform</li> <li>• Open Days and supplier conferences</li> <li>• MMK Supplier mobile app</li> <li>• Efforts to prevent hazards in the workplace</li> <li>• Electronic Job Order computerised system</li> </ul>	<ul style="list-style-type: none"> <li>• The Magnitogorsk Metal newspaper, local TV programmes and radio stations</li> <li>• Phone calls and letters to the corporate media offices</li> <li>• Official website and social media</li> <li>• Implementing external social programmes and projects aimed at developing regions of presence</li> <li>• Supporting small and medium-sized</li> </ul>	<ul style="list-style-type: none"> <li>• Entering into agreements on social and economic cooperation</li> <li>• Monthly discussions between MMK specialists and representatives of the Magnitogorsk City Administration with regard to legislative initiatives and other relevant issues</li> <li>• Implementing external social programmes and projects aimed at</li> </ul>

<sup>7</sup> Occupational Health and Safety Management System.

<sup>8</sup> Environmental Management System.

<sup>9</sup> Quality Management System.

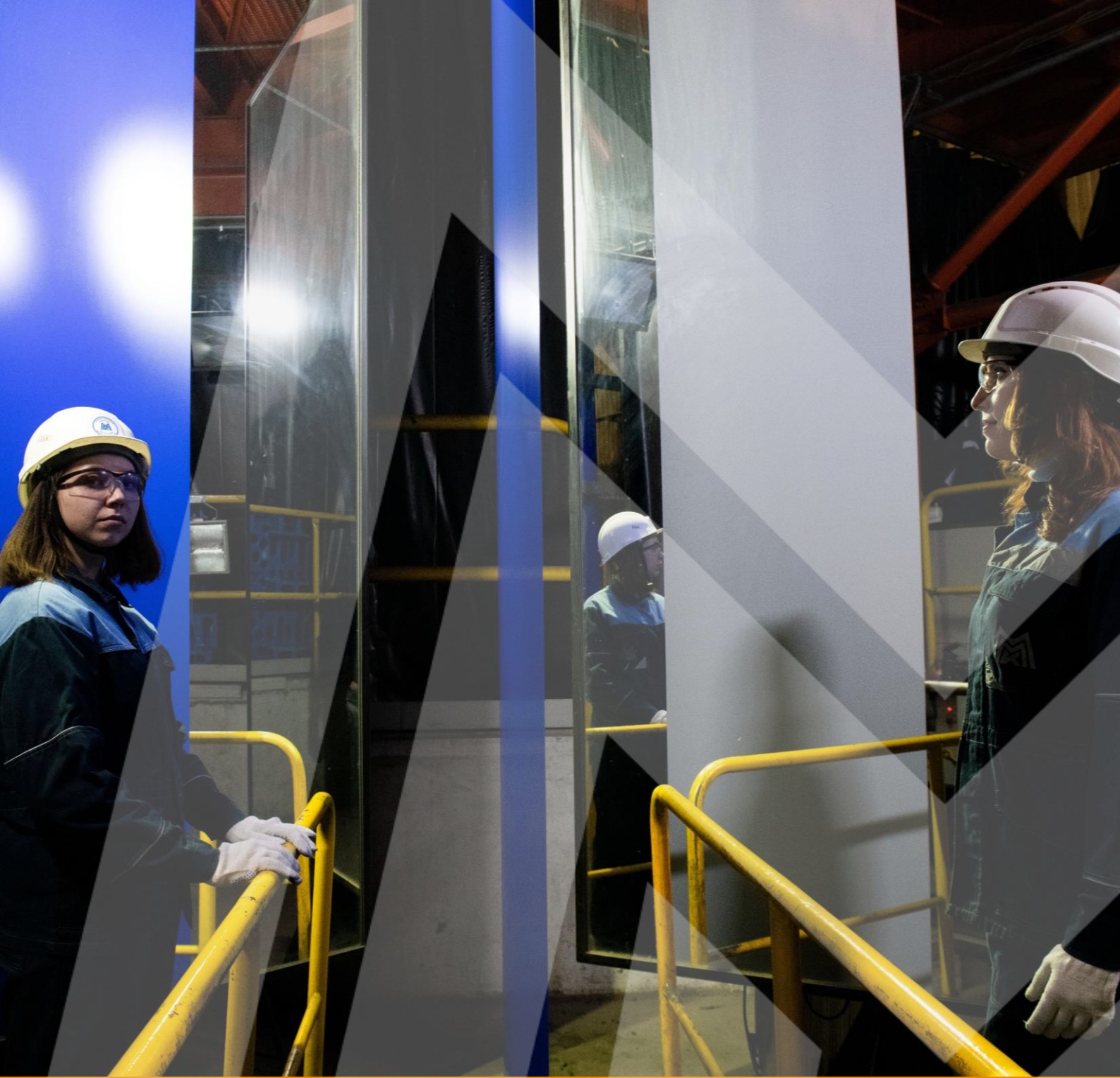




Employees	Investors	Customers	Suppliers and contractors	Local communities	Government bodies
<ul style="list-style-type: none"> <li>Skills contests to identify the best-performing employees</li> <li>Scientific and engineering conferences</li> <li>Programme of the strategic initiative "Achieving Zero Injuries"</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly calls on IFRS financial results disclosure</li> <li>Site visit for investors and analysts</li> <li>Annual Investor Day</li> <li>Non-deal roadshows (opportunities for investors to meet the CEO and senior management)</li> <li>Participation in industry conferences for investors</li> <li>Interaction with bank analysts, credit agencies, ESG analysts</li> </ul>	<ul style="list-style-type: none"> <li>MMK iClient mobile app</li> </ul>		<p>enterprises (SMEs) through MMK Industrial Park</p>	<p>developing MMK's regions of presence</p>
<b>2022 highlights</b>					
<ul style="list-style-type: none"> <li>Support for employees who are called up for military service in the area of the RF special military operation and for their family members who have lost their breadwinner for period of the military duty performance</li> <li>Development of a unified approach to providing bonuses for the performance of project activity and to</li> </ul>	<ul style="list-style-type: none"> <li>Transfer of investor relations functions to the Sustainable Development team</li> <li>Further sales of rolled steel through the MMK marketplace</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the customer service area: regional representatives' visits to any region of the Russian Federation, CIS countries and foreign countries</li> <li>Recruitment of three new PJSC MMK regional representatives on metal products quality issues in Sverdlovsk, Novgorod and Moscow regions</li> </ul>	<ul style="list-style-type: none"> <li>Adding sanctions restrictions to internal sales prioritisation factors when working on foreign sales markets</li> </ul>	<ul style="list-style-type: none"> <li>Implementing the first stage of the Prityazhenie project (multi-functional park complex)</li> <li>Holding the first grant contest of social projects for non-profit organisations (NPOs) with the allocation of monetary grants to the winners</li> <li>Focus on the development of sailing. During the year Magnitogorsk</li> </ul>	<ul style="list-style-type: none"> <li>Implementing the first stage of the cultural municipal park complex "Prityazhenie" in Magnitogorsk</li> <li>Participation in the "Innoprom. Central Asia-2022" International Industrial Exhibition</li> </ul>



Employees	Investors	Customers	Suppliers and contractors	Local communities	Government bodies
<p>paying for project management without exemption from main duties</p> <ul style="list-style-type: none"> <li>Improvement of the social benefits package</li> </ul>		<ul style="list-style-type: none"> <li>Access to additional services for PJSC MMK customers: storage, unpacking/repacking, testing of steel for compliance with the Russian and international standards</li> </ul>		<p>hosted several sailing competitions at once, including competitions at the all-Russian level</p>	
<b>Key 2022 engagement results</b>					
<ul style="list-style-type: none"> <li>17,377 persons trained in various areas</li> <li>27,244 persons trained in OHS</li> <li>Reduction in LTIFR by 12.9% year-on-year</li> </ul>	<ul style="list-style-type: none"> <li>MMK held more than 400 offline and online meetings with investors.</li> <li>Replacement bonds were issued at the end of 2022 and thus payments to more than 60% of investors holding Eurobonds were restored.</li> </ul>	<ul style="list-style-type: none"> <li>81% — OTIF (amount of supplies carried on time and in full)</li> <li>the volume of the finished metal products sales decreased by 14%</li> <li>10.7 mt — metal products sales volume</li> <li>44% — share of HVA products sales</li> <li>86% — products sent to the Russian and CIS markets</li> </ul>	<ul style="list-style-type: none"> <li>0.67 — LTIFR among contractors</li> <li>94% of suppliers are from Russia</li> <li>88% — share of purchase from the Russian suppliers</li> </ul>	<ul style="list-style-type: none"> <li>5.7 units — Comprehensive Air Pollution Index (CAPI) in Magnitogorsk</li> <li>\$ 15.3 million — investments in the development of local communities and charity</li> <li>46% — share of subsidiaries implementing community engagement programmes</li> <li>\$ 10.7 million — charity, support for NGOs, NPOs and charitable organisations (including children's organisations)</li> </ul>	<p>—</p>



# Operating Overview



As one of the world's largest iron and steel plants with a full production cycle, we have unique expertise and competencies in downstream metal products. Over the past 90 years, MMK has been constantly improving its scientific and technological infrastructure, upgrading production equipment and developing advanced products.

The MMK's rich history and a wide range of metal products, with a focus on premium types, make it possible to meet the needs of consumers in the most high-tech industries.

## LINK TO STRATEGY:

**Be the leader in operational excellence**

**Be the best supplier**



## TRADE-OFFS:

**Suspension of steel production at the Group's Turkish asset.**

## KEY SDGs:



**9.1** mt A horizontal bar chart showing the production of pig iron in 2022. The bar is white and extends to the value 9.1 mt. The background is blue.**PIG IRON**

2021: 10.4 mt

**11.7** mt A horizontal bar chart showing the production of crude steel in 2022. The bar is white and extends to the value 11.7 mt. The background is blue.**CRUDE STEEL**

2021: 13.6 mt

**10.7** mt A horizontal bar chart showing the sales of metal products in 2022. The bar is white and extends to the value 10.7 mt. The background is blue.**SALES  
OF METAL  
PRODUCTS**

2021: 12.5 mt

**4.7** mt A horizontal bar chart showing the production of premium products in 2022. The bar is white and extends to the value 4.7 mt. The background is blue.**PREMIUM PRODUCTS**

2021: 5.2 mt

**3.5** mt A horizontal bar chart showing the production of coking coal concentrate in 2022. The bar is white and extends to the value 3.5 mt. The background is blue.**COKING COAL CONCENTRATE**

2021: 3.4 mt

Many market players met the start of 2022 with optimism against the backdrop of an extremely successful previous year for the metals market. However, the constant lockdowns in China due to the zero tolerance to COVID-19 that began in 2021, global recession processes and growing inflation contributed to the development of the global steel crisis reinforced by global geopolitical events.

The Russian economy had been subject to an unprecedented number of sanctions, which had also affected the intensification of inflationary processes in the world economy. Despite the prevailing situation, we increased sales in the domestic market in 2022 and therefore confirmed our leading position in the Russian flat products market.

In 2022, MMK Group's steel output fell by 14.0% to **11,687** thousand tonnes, while sales of metal products also decreased by a comparable rate to **10,703** thousand tonnes. The main reasons for these changes were lengthy overhauls in blast furnace operations and an unfavourable export market environment against the background of the high base of the previous year. Sales of premium products were adjusted by 9.7% to **4,704** thousand tonnes following a 25.7% drop in sales of galvanised steel to 1,480 thousand tonnes due to the difficult situation on export markets and a fall in demand from the automotive industry.

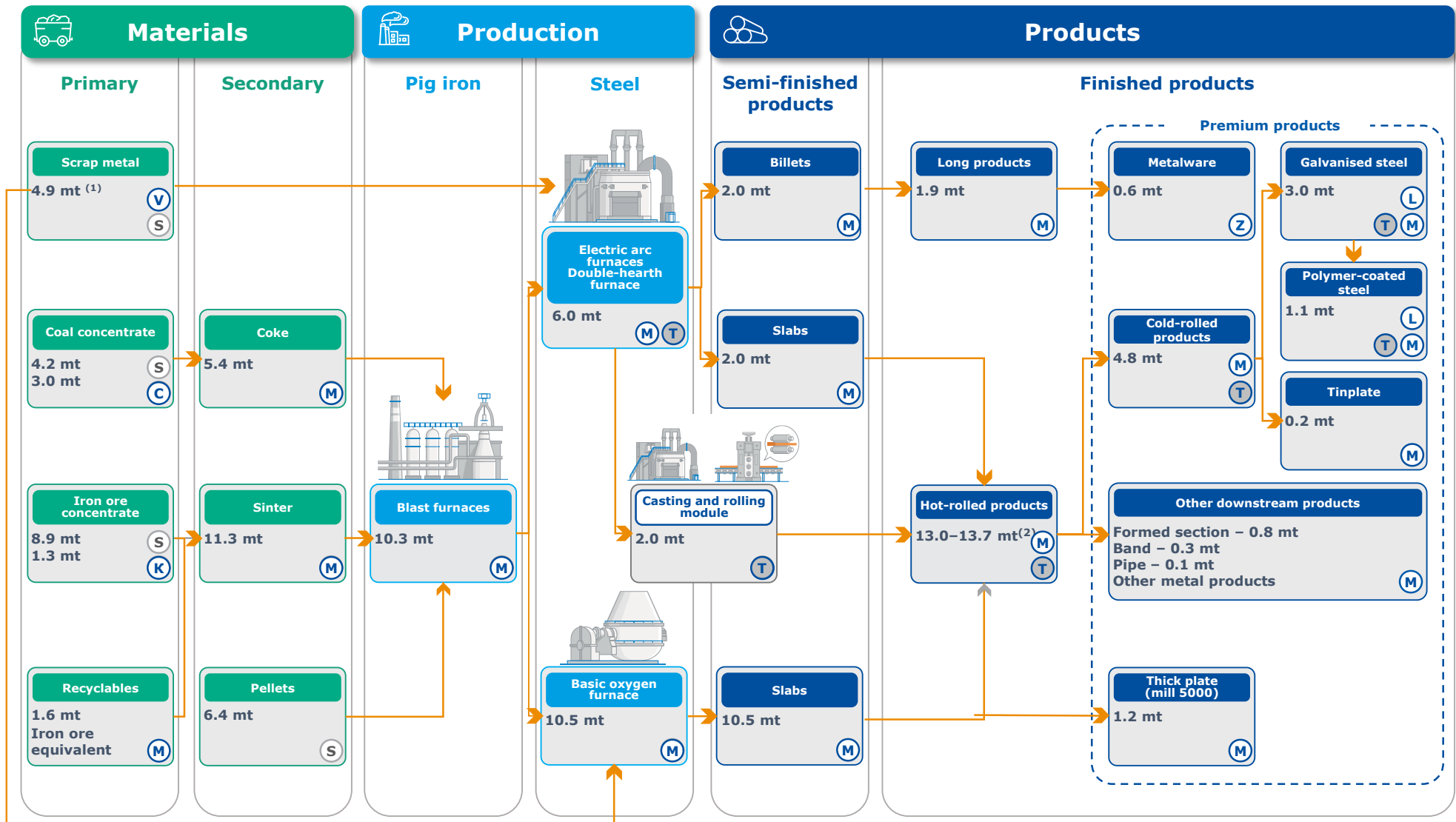
**Production and sales of products, thousand tonnes**

Indicator	12 months of 2022	12 months of 2021	%
<b>Crude steel production</b>	<b>11,687</b>	13,592	- 14.0
Steel segment Russia	<b>10,794</b>	13,278	- 18.7
Steel segment Turkey	<b>892</b>	314	x2.8
<b>Pig iron production</b>	<b>9,078</b>	10,420	- 12.9
<b>Coal concentrate production</b>	<b>3,512</b>	3,445	1.9
<b>Iron ore production</b>	<b>2,393</b>	2,913	- 17.8
<b>Finished products sales</b>	<b>10,703</b>	12,480	- 14.2
Slabs and billets	<b>78</b>	194	- 59.8
Long products	<b>1,116</b>	1,161	- 3.9
Flat hot-rolled products	<b>4,805</b>	5,914	- 18.8
Premium products	<b>4,704</b>	5,211	- 9.7
Thick plate (mill 5000)	<b>903</b>	829	8.9
Flat cold-rolled products	<b>901</b>	873	3.2
Downstream products	<b>2,901</b>	3,509	- 17.3
Tinplate	<b>173</b>	169	2.4
Galvanised steel	<b>1,480</b>	1,992	- 25.7
Polymer-coated steel	<b>614</b>	614	0.0
Band	<b>121</b>	137	- 11.3
Formed section	<b>73</b>	76	- 4
Pipe	<b>95</b>	72	31.8
Metalware	<b>334</b>	438	- 23.7
Other metal products	<b>10</b>	11	- 9.9
<b>Share of premium products</b>	<b>44.0%</b>	41.8%	
<b>Sales of finished products by market</b>			
Domestic market + CIS	<b>9,176</b>	9,060	1.3
Exports	<b>1,526</b>	3,420	- 55.4





## Production process



**Notes:**

- (1) Annual production capacity.
- (2) 13.7 million tonnes when the hot-rolling mill 2500 reaches its production capacity of 5.2 million tonnes per year.

- V - MMK Vtormet
- C - MMK-COAL
- K - Maly Kuybas
- M - MMK
- Z - MMK-METIZ
- L - MMK-LMZ
- T - MMK Metalurji
- S - Third party suppliers



# Market Overview

## Situation in The Russian and the Global Raw Material Markets



**Global metallurgical raw material markets experienced strong price fluctuations in 2022, mainly driven by changes in trade flows due to geopolitical events and sanctions.**

In this regard, many commodity prices spiked in the middle of the first half of 2022, but then fell for a long period, as global industrial activity declined due to sanctions shocks and rising energy costs.

Among the main metallurgical raw materials, only coking coal prices showed growth on an annual average basis.

The spot price index based on CFR China rose by 9% to USD 370/t. The base price index for iron ore raw materials (62% Fe) fell by 25% from its 10-year high to around USD 120/t. The average scrap price in Turkey was down by 5% year-on-year to about USD 447/t.



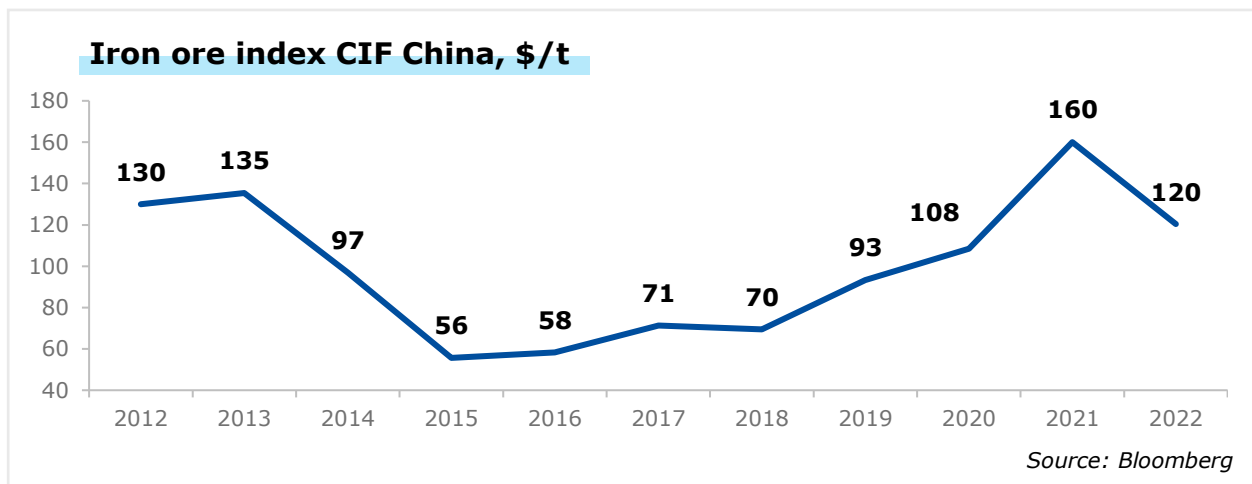


## Iron ore raw materials market

In China's main market, positive expectations for 2022 on prices and demand were not realised due to regular COVID-19 lockdowns in key cities in China. After growth in production rates at the beginning of 2022, the Chinese metals industry faced a fall in demand for its products due to quarantine restrictions (some of which occurred in April and October — traditional periods of high demand). The Chinese metals industry had to limit the volume of smelting based on the demand, while the prices for iron ore raw materials and metal products continued to fall until November, which often led to negative sales margins. By the end of 2022, the volume of pig iron and steel smelting in China had fallen for the second consecutive year (0.8-2.0% year-on-year), iron ore raw material imports had been down by 1.5% year-on-year, while China's GDP growth rate had been only 3% year-on-year — the lowest level in 40 years.

As a result of the 2022 sanctions, the situation on the Russian iron ore raw materials market changed dramatically. All price calculation formulas in relation to global indicators ceased to apply. Monthly export of pellets to the EU premium market fell from 700-900 thousand tonnes in 2021 to 80-100 thousand tonnes in mid-2022.

In the second half of 2022, exports of all types of iron ore raw materials from the European part of Russia to China virtually stopped, due to the low dollar exchange rate, expensive freight and falling prices in China. The oversupply of raw materials on the Russian market grew, and a number of companies reduced the utilisation of pellet production capacity.

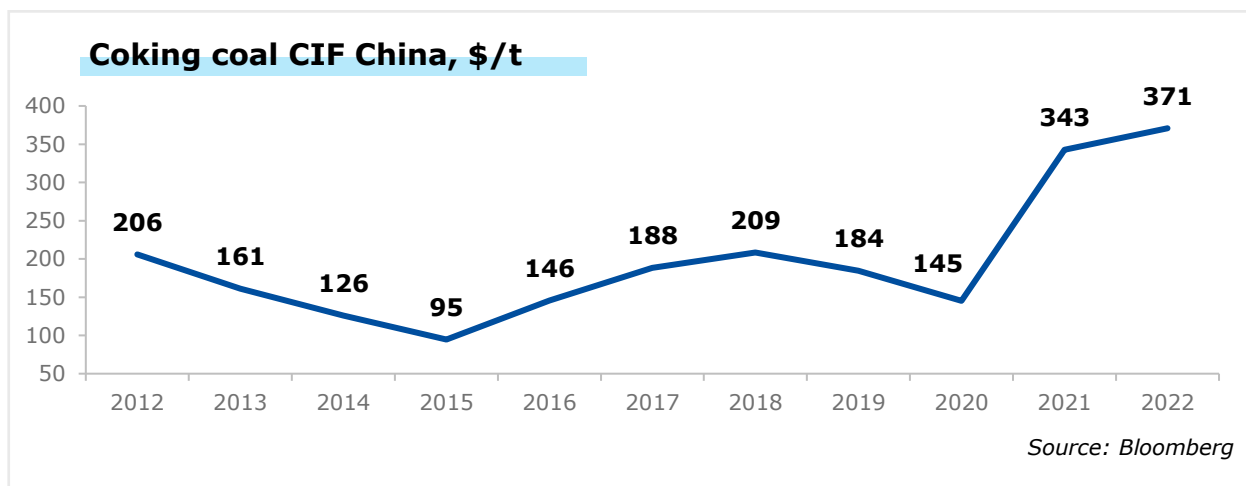




## Coking coal market

Global coking coal markets continued to experience changes in trade flows in 2022. China had previously suspended coal imports from Australia, and Europe stopped coal imports from Russia in 2022. In the second quarter of the year, the value of raw materials from Australia rose sharply for European and other consumers who had supported the embargo on the Russian coal industry. However, in the second half of the year, the FOB Australia indices stabilised in the range of USD 200-300/t as the demand weakened. In China, there were no major fluctuations in prices for coking coal in 2022, however, prices for premium products were consistently above USD 300/t.

On the Russian market, the period of anomalously high coking coal prices had lasted up to and including May 2022 due to the influence of world indices. After that, however, due to the sanctions and the difficult situation in the Russian metals sector, prices fell by 2.5 to 3 times, and then showed only weak growth depending on the balance of coal grades. Coking coal exports to Asian markets continued to grow rapidly, but were held back by the transport capacity of the Russian Railways network and the removal of preferences for coal cargoes.






## Scrap metal market

The dynamics of scrap prices in Turkey in 2022 was very similar to that of coking coal prices: a price spike in March after the start of the conflict in Ukraine, a strong adjustment in the second quarter of the year, and price fluctuations in the range of USD 330–400/t CFR almost until the end of 2022. According to the 2022 results, scrap imports fell by more than 10% year-on-year, as Turkish plants reduced their capacity utilisation by 3 to 4 times in August–September due to the increase in gas and electricity prices. The increase in energy costs and the decline in industrial activity also had a negative impact on scrap processing, leading to a rise in prices for end consumers at the end of the year.

In Russia, scrap prices and demand were very volatile in 2022 due to the challenging environment for the sale of metal products. Scrap exports outside the EAEU fell to a minimum as a result of increased customs duties and numerous problems in foreign trade. During the year, scrap prices in Russia fell to very low levels at least twice, leading to a sharp reduction in scrap collection. At the end of 2022, scrap metal shipments to domestic consumers were down by 25% year-on-year, while the scrap processing indicator fell by 32% year-on-year.



**The above trends, together with effective management and close work with suppliers, led to a reduction in the cost of sales of the MMK Group.**



# Overview of the MMK Group's Raw Material Assets

## Iron ore raw materials

Self-sufficiency:	<b>16%</b>
Key production assets:	<b>Maly Kuybas</b> (Magnitogorsk, Chelyabinsk region, Russia)
Capacity:	<b>2.4</b> mtpa
Iron content in rich ore:	<b>48%</b>
Iron content in lean ore:	<b>31%</b>

**Maly Kuybas** is a production unit based in Magnitogorsk that provides MMK with iron ore. Maly Kuybas mines produce rich and lean iron ore used in sinter production.

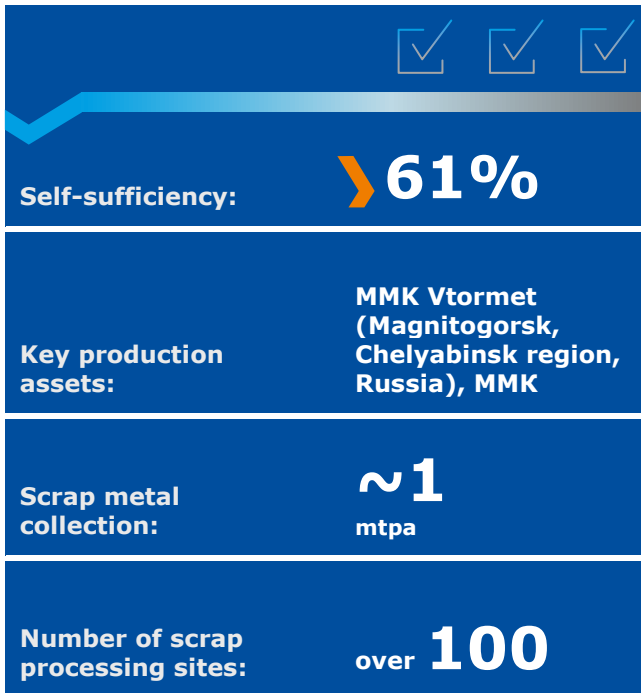
In 2022, Maly Kuybas's own iron ore production volume fell by **17.8%** year-on-year to 2,393 thousand tonnes, which was due to a decrease in the production and processing of secondary raw materials following a drop in pig iron production.

MMK's own iron ore raw materials and the processing of secondary resources from the blast furnace operations provide the necessary level of self-sufficiency, reducing the cost of production. At the same time, MMK is in a better position than the more integrated producers of metal products, given the long-term reduction in iron ore prices forecast by many analysts.





## Scrap metal and recyclables



**MMK Vtormet** is a leader in scrap metal collection and processing. The use of scrap metal and other secondary resources in the production process significantly reduces GHG emissions, thereby lessening the company's environmental footprint. Through an extensive network of branches and scrap metal collection and processing facilities, we provide ourselves with a world-class source of "green" iron for a sustainable and environmentally friendly future.

In 2022, the collection of scrap metal at MMK Vtormet's facilities was down by **44%** due to a decrease in MMK EAF's steel production.



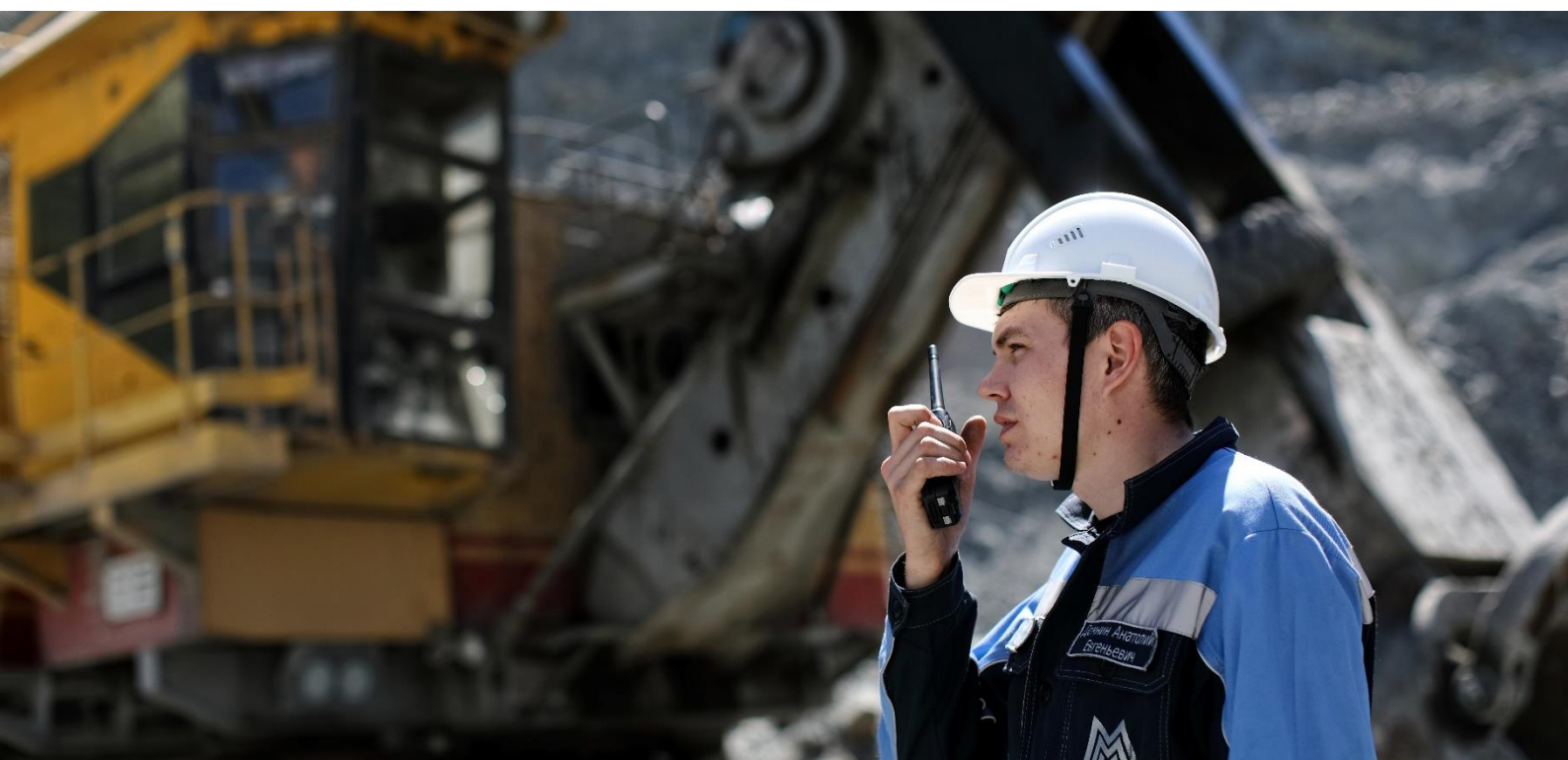


## Coking coal



In 2022, coking coal production fell by **11.6%** year-on-year to 4,406 thousand tonnes due to a reduction in MMK's demand for concentrate and challenging geological conditions.

The increase in concentrate production by **1.9%** compared to 2021, up to 3,512 thousand tonnes, was driven by an increase in PJSC MMK's demand for coking coal grades from third parties.





## Improving Industrial Safety and Environmental Protection

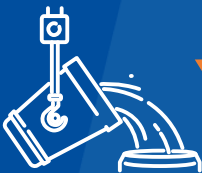
To enhance the occupational health and safety level, a facility for training and testing the practical skills and knowledge of employees was built in 2022 in the territory of the Chertinskaya-Koksovaya mine.

Construction of the second phase of the final wastewater treatment facilities continued in 2022, and is planned to be completed in 2023. As a result, the productivity of the water treatment facilities will increase, while the quality of the water will meet the most stringent requirements.

### How we integrate ESG into the production process



**We increase the share of scrap metal used in steelmaking.**



**We use waste from various metallurgical processes in the sinter charge.**



**We improve coke production through the construction of the new coke battery No. 12 with the decommissioning of obsolete equipment and subsequent reduction of CO<sub>2</sub> emissions by 1.1 mtpa.**





# The Steel Market Situation Overview

## Global metal products market overview

### Steel production and consumption

In 2022, the global steel market faced another round of crisis in the global economy, which was deepened by tensions and changes on the global political stage. Russia was subject to an unprecedented number of sanctions imposed by Western countries, which in turn greatly accelerated inflationary processes in the global economy.

At the beginning of the first quarter, optimism prevailed in the global rolled steel market. After the Chinese New Year, demand for steel products increased in China and other East Asian countries, and metals and automotive companies in the European Union entered into quarterly and half-yearly contracts. As a result, Indian, Turkish and European producers increased their domestic prices for flat products. In February, prices rose due to increases in the costs of electricity, natural gas, iron ore and coking coal.

As a result of the geopolitical situation at the end of February, the hottest spot on the global rolled steel market was Europe, where the termination of deliveries of rolled and semi-finished products from Ukraine and Russia caused an acute crisis. The upturn in global steel prices was quite a serious trend.

In the second quarter, in April, the situation changed. Consumers exhausted their available financial resources, and solvent demand started to decline. Prices for rolled steel fell due to a number of factors, such as economic uncertainty, excessive reserves built up in the wake of the March concerns caused by a reduction in supplies from Russia and Ukraine, a reduction in demand in almost all sectors, especially in the automotive industry, following a shortage of shipments of chips and car components from China as a result of lockdowns and transport blocking due to COVID-19. In addition, Russian

exporters faced difficulties in making foreign currency payments and logistical problems caused by the imposed sanctions-related restrictions.

The situation was tense in all regional markets. The fall in hot-rolled coil prices in the second quarter of 2022 counterbalanced the spike in the first quarter. To balance supply and demand and reduce the consumption of expensive energy sources, a number of large European plants were forced to cut production.

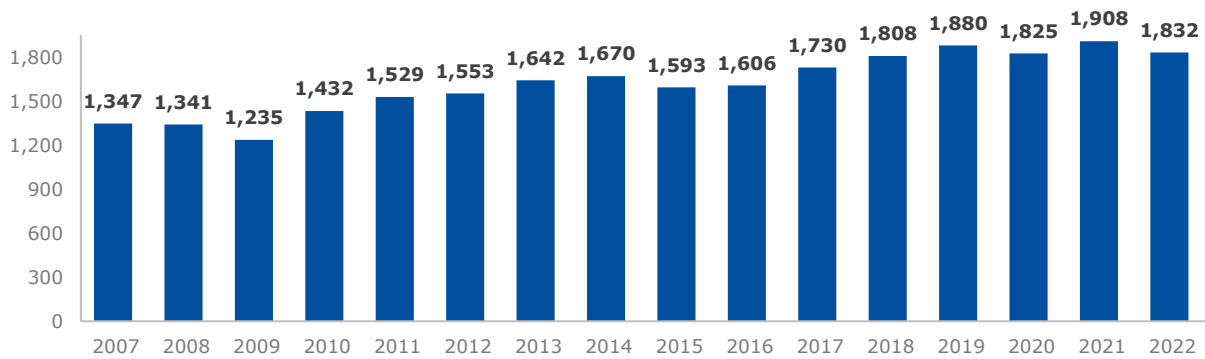
The decline in the global rolled steel market accelerated in the third quarter, mainly due to unfavourable economic factors. Inflationary pressures, largely driven by high energy prices, combined with higher interest rates, resulted in lower solvent demand in all regional markets.

According to the information provided by the World Steel Association (WSA), against the backdrop of economic turbulence and falling demand, global steel production fell by 4.3% to 1,831.54 million tonnes.

In the fourth quarter of 2022, the global rolled steel market narrowed significantly. Due to the decline in export sales, manufacturers reoriented supplies to domestic markets. Aggressive pricing policy of producers from South-East Asia on the background of low demand contributed to the decrease in prices for rolled steel in October-November in all regional markets. A number of manufacturers in Turkey and the EU sold their products below production cost. In November, the situation was worsened by the abolition of the 15% export duty imposed on India in May, which allowed Indian suppliers to return to export markets at a competitive price level. By the end of the year, buying activity slightly increased, consumers began to replenish stocks, which allowed manufacturers to raise prices for rolled steel.



### Global steel production, million tonnes



Source: WSA

In Asia, 1,351.3 million tonnes of crude steel were produced in the 12 months of 2022, which was 2.3% less than in the same period of 2021.

China produced 1,013 million tonnes of crude steel in the same period, 2.1% less than in 2021.

Repeated lockdowns due to COVID-19 in China in the second quarter of 2022 led to a sharp cooling of the country's economy, reversing the trend of recovery in steel demand that began in late 2021. The decline in the real estate market deepened, with real estate investment falling to its lowest level in 30 years. All the main indicators of the real estate market were in the negative, and the area of facilities under construction had shrunk for the first time in modern history. Despite the government's efforts to stimulate the real estate market, there were no major changes, as buyer confidence remained weak due to the strict anti-COVID-19 measures and the bankruptcy of developers.

In China, periodic quarantine measures due to zero tolerance to COVID-19 contributed to price volatility in the rolled steel market. The tougher measures led to a decrease in business activity and prices. When the number of cases decreased and quarantine measures weakened, prices turned in the opposite direction.

In 2022, Chinese companies exported 67.3 million tonnes of steel, which was almost the same as in 2021 (+0.6%), with a sharp decline in June–September. According to the WSA forecast in October steel demand in China in 2022 was expected to drop by 4.0% from the previous year's level to 914 million tonnes.

India, the world's second largest steel producer, increased steel smelting by 5.5% year-on-year to 124.7 million tonnes in 2022. Steel demand in India also grew strongly in 2022, driven by high consumption and rising infrastructure costs.

On the one hand, domestic demand in India was recovering after the 2020–2021 lockdowns, and on the other hand, new capacity was being commissioned: JSW Steel and AMNS India started construction of large facilities.

The US metals industry experienced a decline, with steel smelting in 2022 falling by 5.9% to 80.7 million tonnes compared with 2021. According to US experts, the reduction in production was due to the low profitability of metals companies. In 2022, the US announced a record number of new projects for the construction of metals companies and production lines, at least in the 21st century. Clearly, US companies were quite optimistic about the prospects for the industry in the coming years.

According to the WSA forecast, apparent metal consumption in the US grew by 2.1% to 99.2 million tonnes in 2022.



The EU (27 countries, excluding the UK) produced 136.7 million tonnes of steel in 2022, 10.5% less than in 2021. Germany produced 36.8 million tonnes of steel (-8.4%), Italy — 21.6 million tonnes of steel (-11.6%), France — 12.1 million tonnes of steel (-13.1%), Spain — 11.5 million tonnes of steel (-19.2%).

In the EU, the demand for steel declined due to a spike in energy costs.

According to the WSA, the consumption had been expected to fall by 3.5% in 2022 to 158.9 million tonnes of steel.

In a number of countries, governments helped industrialists reduce energy costs. Some companies announced the suspension of blast furnace operations due to losses and insufficient number of orders.

The metals industry in Turkey was in a deep crisis, with 35.1 million tonnes of steel produced in 2022, which was 12.9% less than in 2021.

In the CIS, 85.2 million tonnes of steel were produced in 2022, 20.2% less than in 2021.

According to the WSA, steel production in Russia fell by 7.2% to 71.5 million tonnes. As had been forecast by the WSA, apparent consumption in the CIS in 2022 fell by 9.2% to 53 million tonnes.

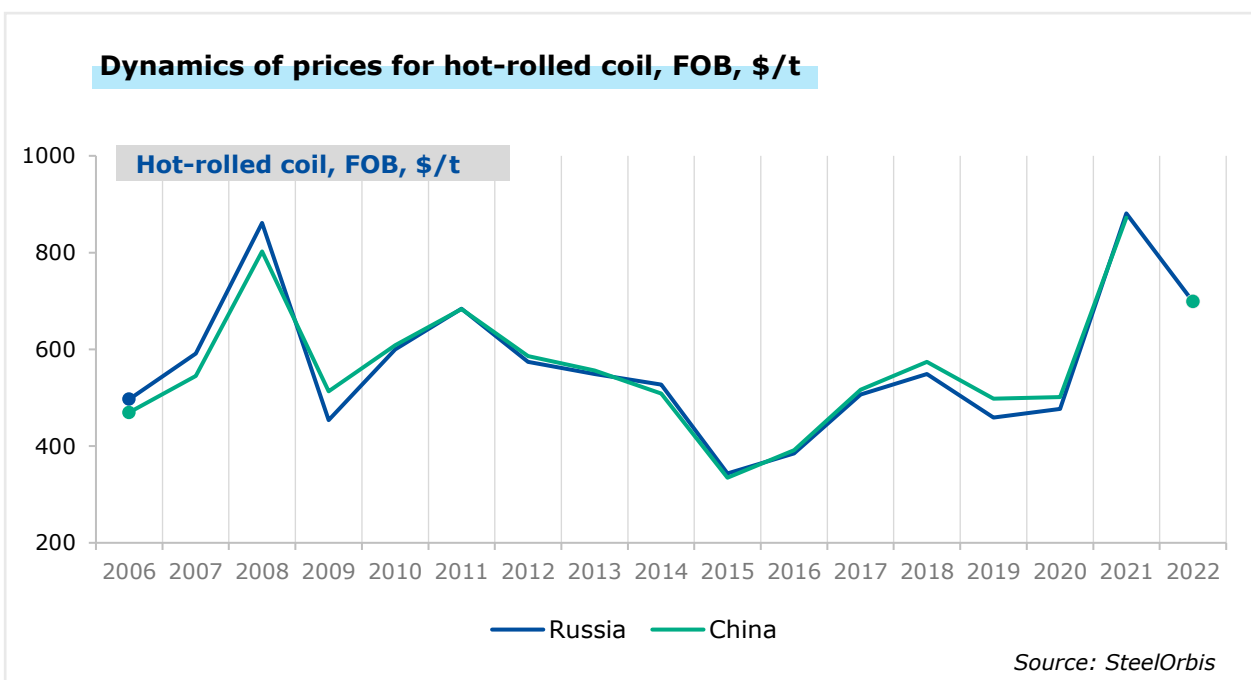
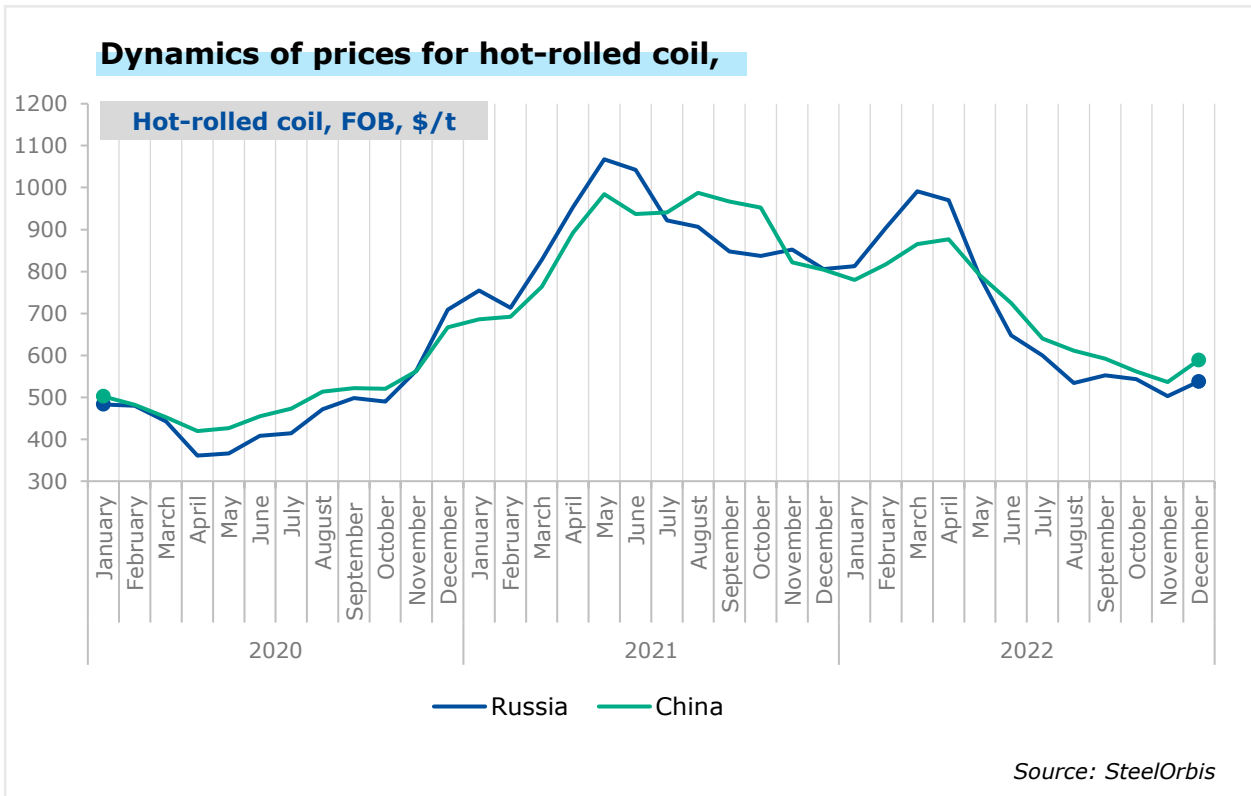




## Steel prices

In 2022, there were quite a number of factors that caused changes in the prices of raw materials and energy sources, which affected the prices of metal products during the year. Global prices for rolled steel in 2022 fell significantly

compared to the previous year. Upon the results of 2022, steelmakers' revenues noticed to decline significantly as the slowdown in global economic growth ended a period of exceptionally high prices fostered by postponed post-pandemic demand.





## Russian metal products market overview

### Demand and prices for metal products

The Russian economy declined by 2.1% in annual terms by the end of 2022. This result exceeded the initial estimates. After the 'shock' in the second quarter of the year, the Russian economy started to recover from the "bottom" in the third quarter and showed an improvement in the annual dynamics of GDP.

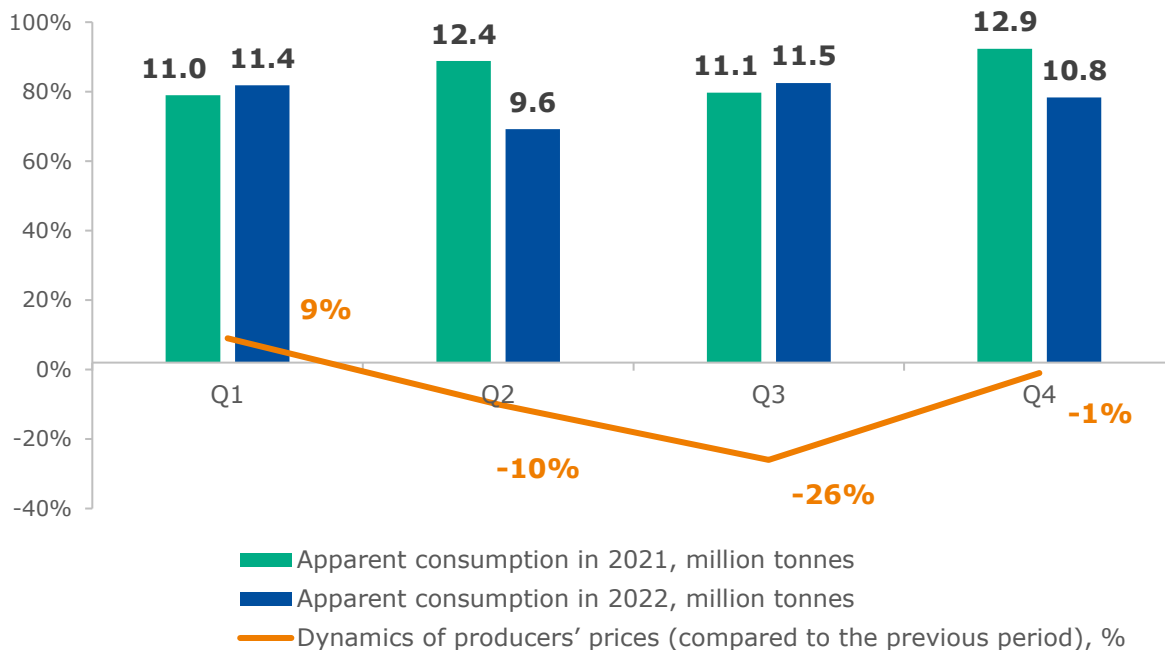
According to industry estimates from the Russian Federal State Statistics Service (Rosstat), the construction, financial, government and defence sectors had made the main positive contribution to the year-on-year change in GDP. The construction boom reflected the amount of housing commissioned, boosted by preferential mortgages. The growth in the public sector corresponded to the increase in budget spending. Domestically focused industries showed high flexibility and could quickly find substitutes for imported materials and equipment components.

Against this backdrop, the Russian metals market also demonstrated a strong recovery in demand in the second quarter after the decline in purchasing activity, and a fairly high rate of such recovery until the winter — visible metal consumption in the period from July to October was higher than in the same months of the previous year. As a result, at the end of the year, apparent consumption of metal products in Russia was at about the same level as in the previous year.

Price dynamics during the year was generally in line with demand dynamics, but with a deeper downturn in the second quarter — the overall fall in global prices and the resulting oversupply on the Russian market due to the redirection of export flows, had their effect. For the same reasons, despite the relative stabilisation in the third quarter, prices for metal products in Russia at the end of the year remained about a quarter below their level at the end of 2021.



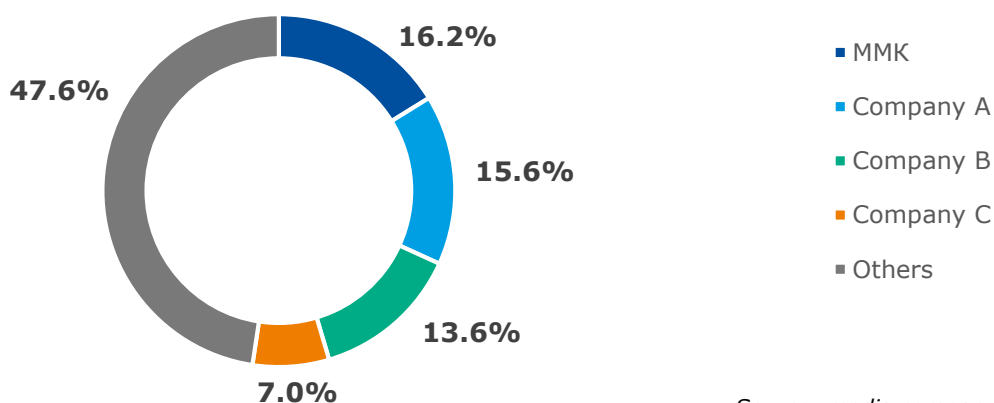
### Apparent consumption<sup>(1)</sup> and price dynamics<sup>(2)</sup>



(1) Apparent consumption of metal products excluding semi-finished products and billets, according to Metal Expert  
 (2) Dynamics of the composite index of metal producers' prices, according to MetalTorg.ru

Source: media companies Metal Expert, MetalTorg.Ru

### Percentage of MMK and competitors in the Russian market



Source: media company Metal Expert





## Market overview: demand dynamics in the main sectors of the Russian economy

### Construction

In 2022, the volume of construction work performed in Russia slightly exceeded RUB 12.68 trillion (in actual prices), which was 5.2% more than in 2021 (in comparable prices). The volume of construction work boosted housing construction and the breakthrough growth in government spending on national and infrastructure projects. Housing commissioning for the whole period amounted to 102.7 million square metres (+11%). Budget spending on metal-intensive areas of national projects increased by 21.3% year-on-year.

### Automotive industry

The Russian automotive market was one of the main markets affected by the anti-Russian sanctions imposed in early spring. Most of the plants of foreign manufacturers ceased operations. Domestic manufacturers faced an acute shortage of components and their capacities were not fully utilised.

As a result, according to ASM-Holding OJSC data, the production of motor vehicles in 2022 amounted to 608.5 thousand units, which was 61.2% less than in 2021. This figure included the production volume of passenger cars equal to 448.9 thousand units (a decrease of 66.8% compared to 2021), cargo transport vehicles — 134.0 thousand units (–24.8% compared to 2021), buses — 25.6 thousand units, which was 29.2% less than in the previous year.

### Pipe industry

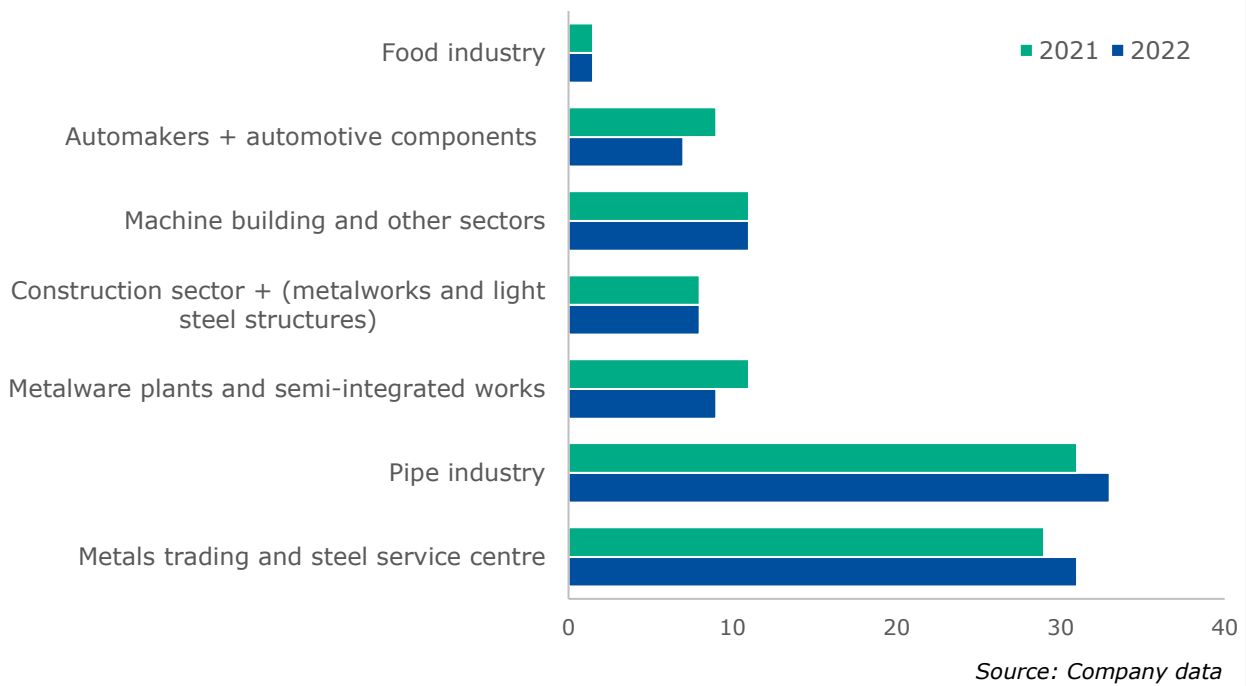
In 2022, the production of pipe products increased by 12.4%. The demand was mostly due to orders for large-diameter pipes for the construction of trunk pipelines during the active phase of implementation of a number of infrastructure projects and regional gasification programmes. The demand for pipes was also driven by growth in the construction sector. The consumption of pipe products from the construction and metalwork industry increased by 14.6% in 2022 compared to the previous year.

### Railcar manufacturing

The reduction in rail freight volumes and the lack of local production of certain components led to a significant decline in the production of freight wagons, especially tank wagons and covered wagons. In 2022, freight wagon production fell almost by 22%.



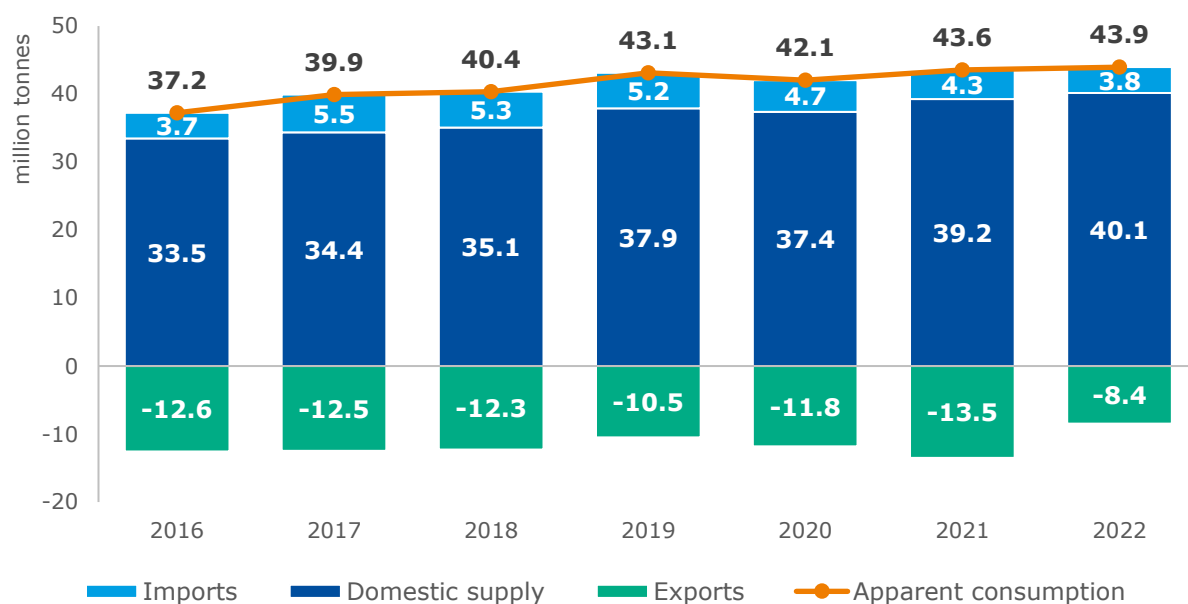
### PJSC MMK's shipments by sector, %



**MMK has a strong position in its niche and has been among the top three Russian rolled steel producers for many years. MMK is well positioned to operate effectively with a high level of profitability due to its favourable geographical location and a wide range of products, including high-margin products.**



### Dynamics and structure of the Russian rolled steel market\*, million tonnes



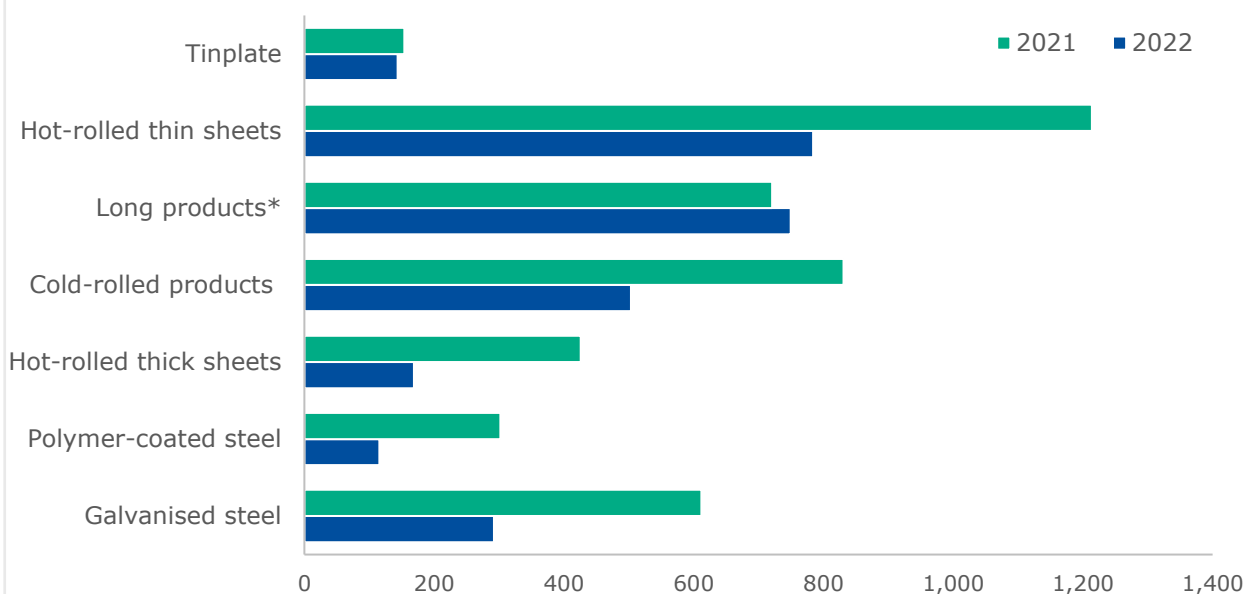
\*excluding semi-finished products

Source: media company Metal Expert

In the structure of the Russian metal product market, the volume of imports fell by 35.2% in 2022 compared to the previous year. The growth in the segment

of long products was due to an increase in supplies from Belarus (an increase of 2.3 times, by 370 thousand tonnes compared to 2021).

### Changes in imports in the Russian market, thousand tonnes



\*Long products, excluding rails

Source: media company Metal Expert, Company data

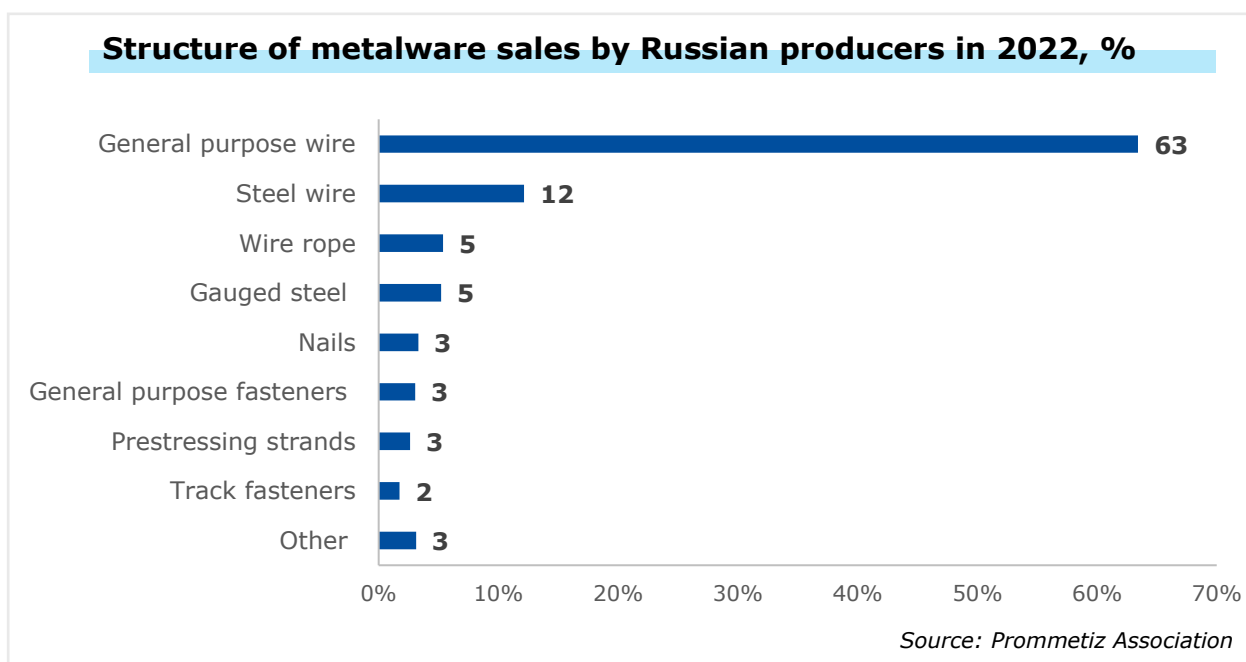
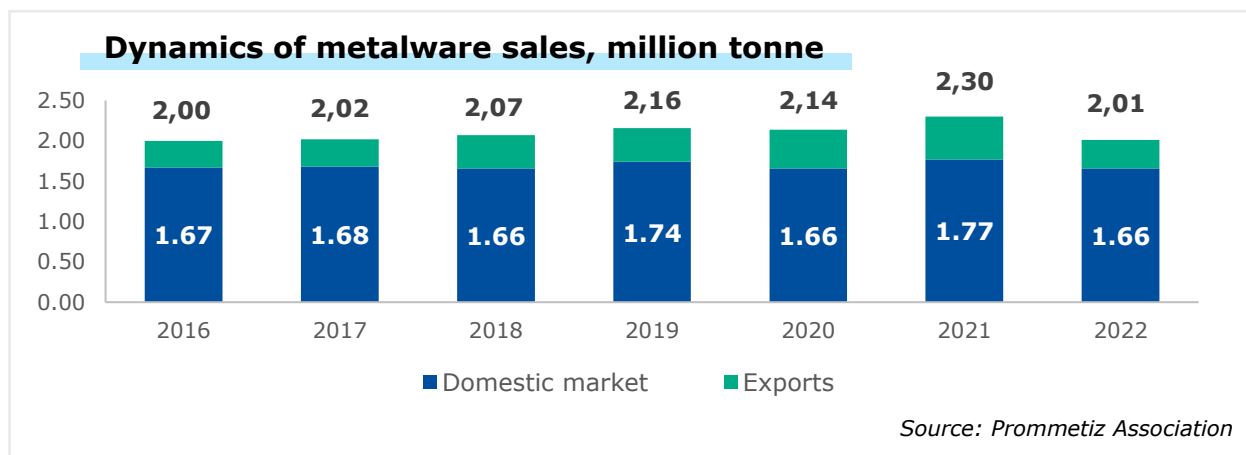


## Metalware market

### Production and sales

According to Prommetiz Association, the volume of metalware production in Russia

in 2022 fell by (13%) compared to the previous year. The volume of sales was 2 million tonnes.



The main reason for the decrease in the metalware sales was a reduction in exports due to existing export restrictions, a complex geopolitical situation, and a number of factors complicating the payment infrastructure.

The total export sales of Russian metalware companies fell by 34% in 2022 compared to the previous year. Economic trends, such as inflationary pressures, volatility of raw material prices and lack of

solvent demand, had a strong impact on the level of demand for metalware.

As a result, the production of metal goods for the domestic market in 2022 decreased by 8% compared to 2021.


Measures taken by the Russian government to support the basic industries are the main factors that may contribute to the recovery of demand on the metalware market.





# MMK Group's Production

## Pig iron



**Key production assets:** MMK (Magnitogorsk, Chelyabinsk region, Russia)

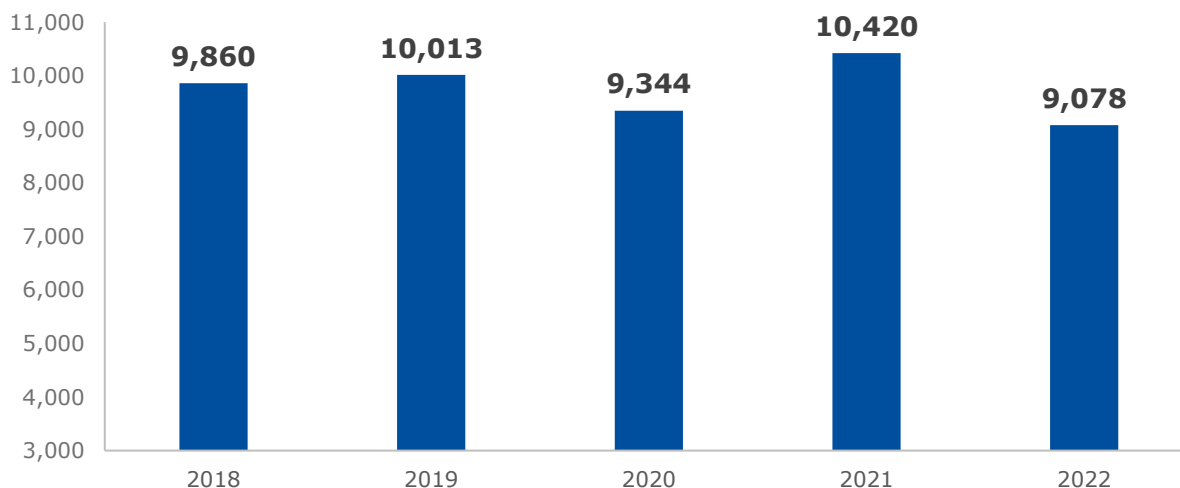
**Production capacities:** 10.3 mtpa

**Capacity utilisation:** 100%

Pig iron is produced in eight blast furnaces at the Magnitogorsk production site.

Based on the results of 2022, the production of pig iron decreased by **12.9%** to 9,078 thousand tonnes compared to the previous year due to the lengthy overhaul of the blast-furnace operations and the worsening market situation abroad.

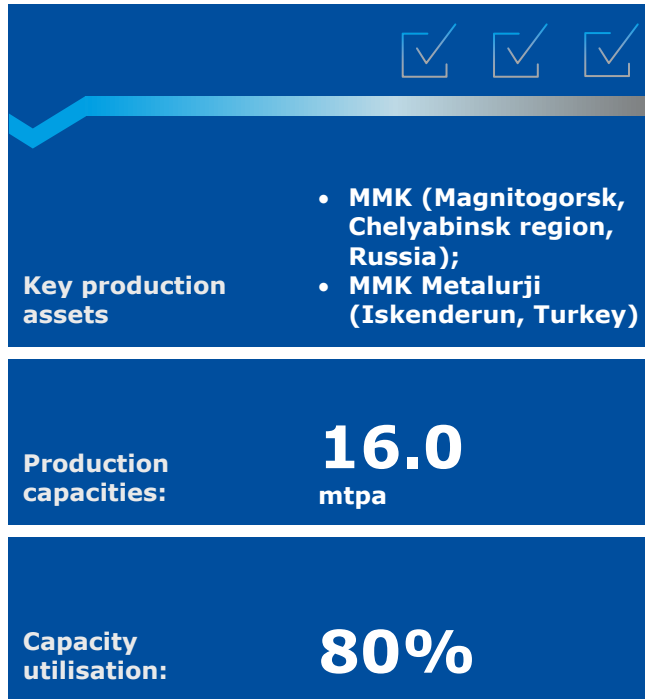
**Dynamics of pig iron production, thousand tonnes**



Source: Company data



## Steel



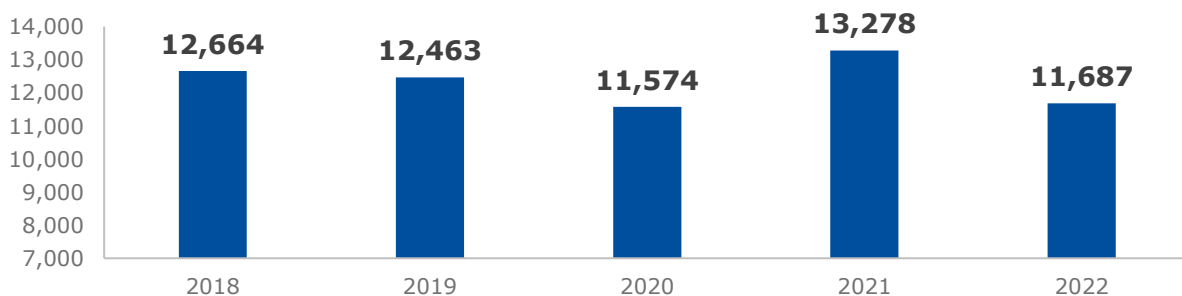
Steel is produced in three basic oxygen furnaces and two electric arc furnaces at the production site in Magnitogorsk and in one electric arc furnace with an integrated rolling module at a Turkish site in Iskenderun.

Steel production amounted to 11,687 thousand tonnes, which was **14.0%** less than in the previous year due to the blast furnace overhaul and unfavourable conditions on export markets against the background of the high base of the previous year.

In 2022, we increased steel production at our Turkish site by several times; however, the slowdown in business activity on foreign markets and the increase in electricity and natural gas tariffs in the Republic of Turkey had a negative impact on the profitability of hot-rolled sales, especially towards the end of the year.

As a result, in November 2022 we took the difficult decision to suspend steel production until the situation normalised.

### Dynamics of steel production, thousand tonnes



Source: Company data

## How we integrate ESG into the production process



**We improve energy efficiency by enhancing the energy management system and implementing technical measures.**



**We assess the potential use of energy produced from renewable energy sources.**



**We increase the amount of recycled and reused water and improve the quality of wastewater.**

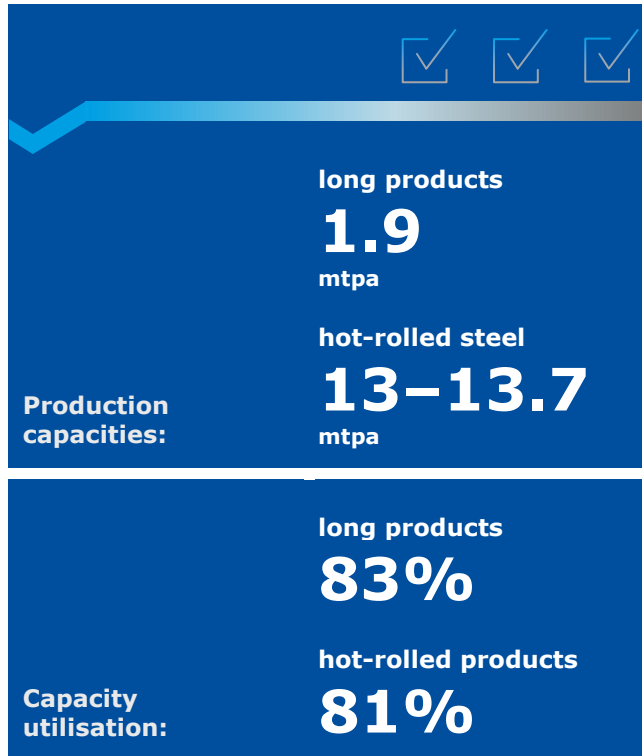


**We improve processes for monitoring and controlling emissions of pollutants from key sources.**



# MMK Group's Products

## Long products and hot-rolled products



**Long products:** 1.12 million tonnes were produced in 2022, **-3.9%** compared to 2021.

Long products are produced at MMK's facilities in Magnitogorsk. They are used within the Group for metalware production and are also supplied to Russia and for export to companies in the metalware, construction, machine building and other industries.

Sales of long products in 2022 decreased compared to the previous year following a slowdown in demand for construction steel in the neighbouring countries and a decline in export sales due to challenging market conditions.

**Hot-rolled products:** 4.8 million tonnes were produced in 2022, **-18.8%** compared to 2021.

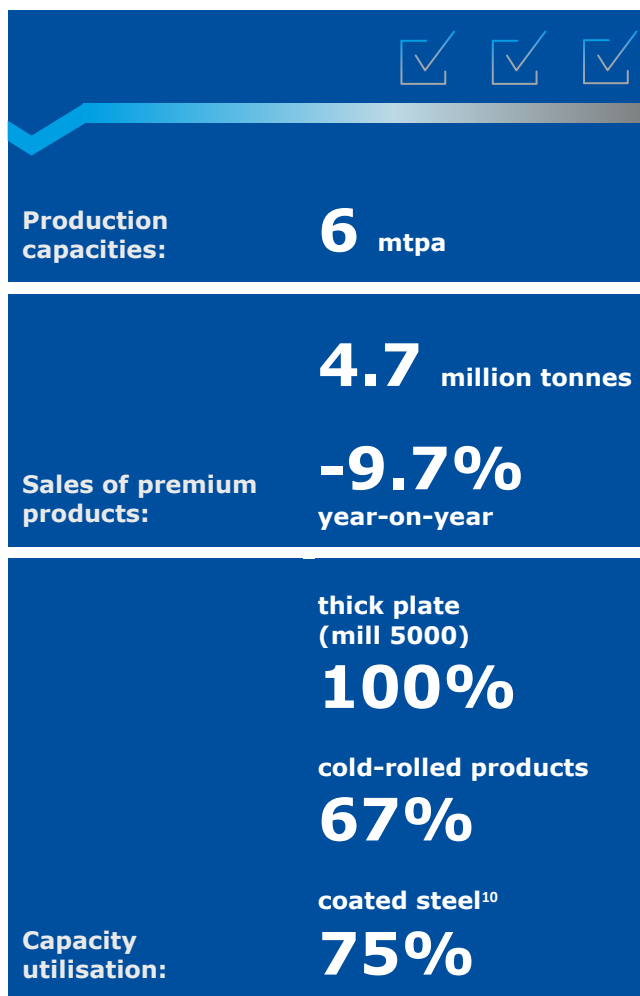
Hot-rolled products is produced at the Magnitogorsk (Russia) and Iskenderun (Turkey) facilities and is used to manufacture the Group's premium products, as well as being supplied to the Russian market and for export to companies in a wide range of sectors — construction, machine building, etc.

Sales of hot-rolled products in 2022 were lower than in 2021, reflecting the unfavourable situation on foreign markets.





## Premium products



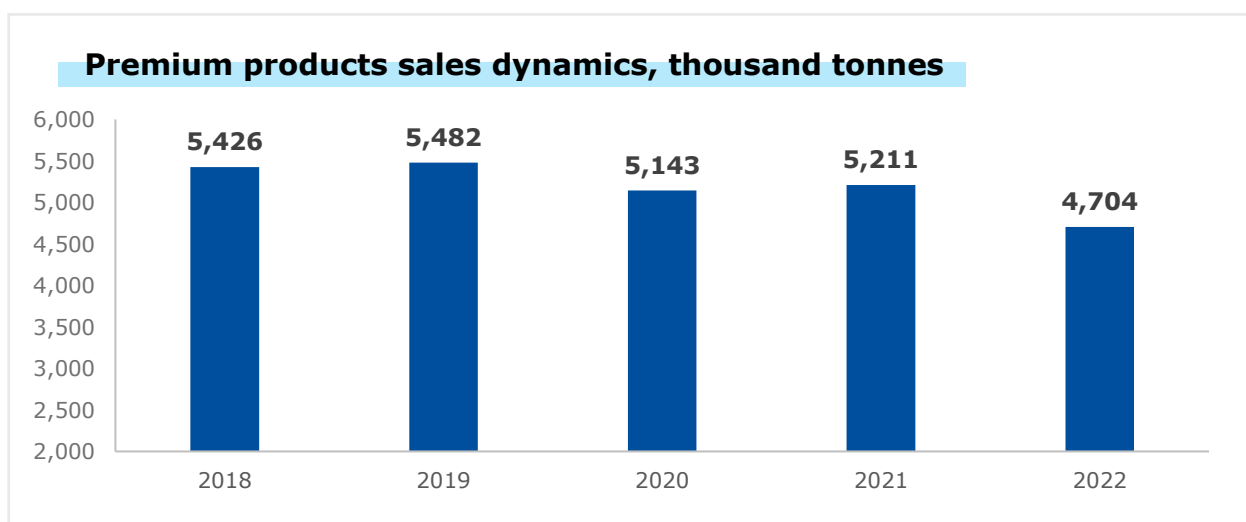
Sales of premium products in 2022 fell by **9.7%** to 4,704 thousand tonnes, and due to a decrease in sales of galvanised products, the proportion of such products in the sales portfolio for 2022 was 44.0%.

The **8.9%** increase in sales of thick plate (mill 5000) compared to 2021, to 903 thousand tonnes, was mainly due to the lack of major equipment repairs during the year.

Sales of cold-rolled steel rose by **3.2%** to 901 thousand tonnes in 2022 due to the lack of major equipment repairs.

Sales of galvanised steel decreased by **25.7%** to 1,480 thousand tonnes in 2022 due to the difficult export market environment and falling demand from the automotive industry.

At the same time, sales of polymer-coated steel in 2022 remained at the same level as in the previous year.



<sup>10</sup> Galvanised steel and polymer-coated steel.



## Improvement of Customer Service

As part of the logistics system development, a production and logistics centre was opened in Togliatti in 2022, enabling MMK to supply high-quality products on a just-in-time basis (precisely on time).

Additional services are available to MMK's customers: storage, unpacking/repacking, testing of steel for compliance with Russian and international standards. The mechanical fitter's shop of LLC MMK-PLC Togliatti plans to launch the length cutting and cross-cutting coil lines in April-May 2023.

### How we integrate ESG into the production process



**We aim to address climate change issues in part by using our own products, such as hot-rolled thick plate (mill 5000) in the construction of foundations and support structures for wind turbines.**



**We are developing innovative products with a low carbon footprint – products made from high-strength and wear-resistant steel brands – MAGSTRONG.**

# Plans for 2023

We plan to increase our overall supply to the Russian and CIS markets, with the aggregate proportion of the Russian and CIS markets in total supplies to reach 87%, thus strengthening our leading position in these areas. This is to be achieved by seizing the opportunities offered by the dynamic development of various metal-consuming sectors, by participating in major investment and public infrastructure projects, by strengthening competitive positions through improved customer service, by developing sales of niche products with high added value, and by further developing the corporate marketplace (an 85% increase in sales through this sales channel in 2022) and warehouse trading through the Group's sales networks.

In the second phase, the corporate marketplace will be further developed (a mobile application will be developed, a customer account will be created, and additional financial instruments will be included).

Consistently following the principles of sustainability, we will continue to develop a culture of occupational safety and will ensure further implementation of the goal of reducing occupational injuries. We will also continue to implement measures to cut emissions to the air and water. The new coke battery complex under construction will make it possible to reduce the cost of manufactured products and the environmental burden.






# Strategy





# Strategy

Our strategic goal is to achieve \$1 billion EBITDA growth by 2025 by implementing our portfolio of strategic objectives.

Priority area	Strategic initiatives	Levers	Linked capital	Linked risks	2022			2023 targets	2025 targets	
					Targets	Results <sup>11</sup>	Status			
<b>To be the best supplier</b> 	<b>1. Superior product portfolio</b>  Building a superior product portfolio with a focus on higher margins through expanding premium product ranges and improving the service offering	<ul style="list-style-type: none"> <li>Increasing the share of high-margin products in the product portfolio</li> <li>Developing customer services</li> <li>Digitalisation</li> </ul>	<ul style="list-style-type: none"> <li>Financial capital</li> <li>Knowledge-based capital</li> <li>Social and reputation capital</li> </ul>	<ul style="list-style-type: none"> <li>Production risks</li> <li>Market risks</li> <li>Financial risks</li> <li>Economic security risks</li> </ul>	<b>EBITDA increase achieved: \$ XX million</b>				<b>EBITDA growth: +\$ 350m</b>	
					Be a leader in sales in the Russian market	<b>16.2%</b> — MMK has the highest share of steel products supplied to the Russian market	Achieved			Sales leadership on the Russian market
					Leadership in automotive sales	Sales leadership in the automotive industry: share of <b>more than 50%</b> of demand, sole supplier for Aurus production	Achieved			Leadership in automotive sales
					Increase in sales of premium products	Year-on-year increase of 2.2% in the share of premium products in the sales structure	Achieved			Increase in sales of premium products
					Increase the output of the most in-demand innovative products	<b>877,000 tonnes</b> of <b>90</b> new products launched and shipped to the market	Achieved			Growth in the volume of new products most in demand on the market
					<b>EBITDA increase achieved: \$ XX million</b>				<b>EBITDA growth:</b>	

<sup>11</sup> Versus the 2019 base year.



Priority area	Strategic initiatives	Levers	Linked capital	Linked risks	2022			2023 targets	2025 targets
					Targets	Results <sup>11</sup>	Status		
	<p><b>2. Customer focus</b></p> <p>Customer focus with continuous improvement of customer service and developing sales through trading houses and digital channels</p>				Improved OTIF	<b>81%</b> — OTIF	Achieved	Improved OTIF	<b>+\$ 60m</b>
					Develop sales channels through MMK Trading House	<b>16%</b> — share of sales through MMK Trading House (marketplace, retail, new offices, transit sales)	Achieved	Development of sales channels through MMK Trading House	
					Development of MMK marketplace: <ul style="list-style-type: none"> <li>• attraction of outside suppliers</li> <li>• expansion of banking products and the product range</li> </ul>	Shipments through the marketplace 30,573 t <ul style="list-style-type: none"> <li>• total customers 2,558, incl.</li> <li>• new customers 1,921</li> <li>• orders 4,742</li> <li>• online loans and bank guarantees</li> </ul>	Achieved	Development of MMK marketplace	
					Increased share of sales to end customers	The share of end customers in the total number of customers of MMK Trading House is <b>81.5%</b>	Achieved	Increased share of sales to end customers	
					Opening of new offices of MMK Trading House	3 new offices launched (Astrakhan, Orenburg, Kurgan)	Achieved	Opening of new offices of MMK Trade House	
					Development of the retail sales project	3 new retail platforms opened	Achieved	Development of the retail sales project	
					Implement a CRM system	Suspended. We are studying the Russian-made software market; two software products have been identified so far	Not achieved <sup>12</sup>	Implementation of a single digital CRM platform	
					Launch of a logistics centre MMK-PLC-Togliatti	Completed: MMK-PLC-Togliatti was put into operation on 1 July 2022	Achieved	Production activity	

<sup>12</sup> In connection with the sanctions and the termination of access to Oracle cloud resources.



Priority area	Strategic initiatives	Levers	Linked capital	Linked risks	2022			2023 targets	2025 targets	
					Targets	Results <sup>11</sup>	Status			
To be a leader in operational excellence	<b>3. Leadership in production efficiency</b>  Excellence in production through higher production volumes, upgrades, and cost reduction driven by the continuous improvement of internal processes	<ul style="list-style-type: none"> <li>• Organisation al and technical measures</li> <li>• Energy management</li> <li>• Baby Capex<sup>13</sup></li> <li>• Innovations and inventions</li> <li>• Digitalisation</li> </ul>	<ul style="list-style-type: none"> <li>• Financial capital</li> <li>• Production capital</li> <li>• Social and reputation capital</li> </ul>	<ul style="list-style-type: none"> <li>• Production risks</li> <li>• Market risks</li> <li>• Economic security risks</li> </ul>	Implementation of <b>21</b> Baby Capex projects with an economic effect of \$ 12.4 million	18 Baby Capex projects completed with an economic effect of \$ 6.3 million	Not achieved <sup>14</sup>	Implementation of <b>9</b> Baby Capex projects with an economic effect of \$ 5.8 million	<b>EBITDA growth: +\$ 610m</b>  Increased steel production by the oxygen converter shop (by 1 mt)	
					Leadership in energy efficiency	MMK Group's energy intensity <b>27.14 GJ/t of crude steel<sup>15</sup></b>	Achieved	Leadership in energy efficiency		
	<b>4. Excellence in procurement and supply chain management</b>  Excellence in procurement and supply chain management aligned with global best practices and ensuring the most efficient material and service procurement					Development of category-based cost management	<b>\$ 14.3 million –</b> savings resulting from supply and procurement strategies	Achieved	Development of category-based cost management	<b>EBITDA growth: +\$ 20m</b>

<sup>13</sup> Low-cost, high-impact investment projects

<sup>14</sup> Not achieved due to delays in equipment supplies, design and construction and assembly work amid sanctions restrictions

<sup>15</sup> The calculation was made in accordance with the regulation on the procedure for calculating the MMK Group's energy intensity indicator, approved by Order No. GD-01/736 dated 30 December 2022



Priority area	Strategic initiatives	Levers	Linked capital	Linked risks	2022			2023 targets	2025 targets	
					Targets	Results <sup>11</sup>	Status			
<b>To be a responsible, sustainable business</b>  	<b>5. Zero injuries</b>	<ul style="list-style-type: none"> <li>Digitalisation</li> <li>Automation of security systems</li> <li>Robotic automation and video analytics</li> <li>Health &amp; safety supervision</li> <li>Culture of engagement and innovation</li> </ul>	<ul style="list-style-type: none"> <li>Human capital</li> <li>Social and reputation capital</li> <li>Natural capital</li> </ul>	<ul style="list-style-type: none"> <li>Production risks</li> <li>Sustainability risk</li> </ul>	<b>0.56</b> – LTIFR	<b>0.54</b> – LTIFR	Achieved <sup>16</sup>	<b>0.53</b> – LTIFR	Reduction of LTIFR to 0.45 and zero fatalities	
					Implementation and development of automated systems in the coke, blast furnace and oxygen converter shops	Implementation of automated security systems in the coke shop	Underway (to be put into full-scale operation on 28 February 2023)	Implementation and development of automated systems in the coke, blast furnace and oxygen converter shops		
					Preventing staff from being in high-risk areas			Preventing staff from being in high-risk areas		
	<b>6. Corporate culture of opportunities</b>					Motivating staff to develop innovative proposals	<b>\$ 4.0 million</b> – the economic effect of implemented innovative proposals	Achieved	Motivating staff to develop innovative proposals	50% shorter time to launch new products
						Increased employee engagement	<b>77.9%</b> – employee engagement	Achieved	Increased employee engagement	Engagement management
		<b>7. Continuous improvement of environmental performance and reduction in CO<sub>2</sub> emissions</b>				<b>1.98</b> – specific CO <sub>2</sub> emissions (t/t) (Scope 1+2)	<b>2.19</b> – specific CO <sub>2</sub> emissions (t/t) (Scope 1+2)	Not achieved	2.33 CO <sub>2</sub> (t/t) (forecast, without taking into account the effect of coke battery No. 12)	Minimisation of specific CO <sub>2</sub> emissions to 1.8 t/t of steel  Full transparency and disclosure of

<sup>16</sup> with account taken of contractors





Priority area	Strategic initiatives	Levers	Linked capital	Linked risks	2022			2023 targets	2025 targets
					Targets	Results <sup>11</sup>	Status		
								environmental impact data to all stakeholders Further IAPI (Integrated Air Pollution Index) decrease <sup>17</sup>	

**Notes:**

Exchange rates used: RUB 73.6/\$ for 2021, RUB 68.6/\$ for 2022 (for all values except for EBITDA effects achieved and savings resulting from supply and procurement strategies for which the RUB 78.0/\$ rate was used))

<sup>17</sup> a reduction in the share of electric-arc-furnace steel in total steel production and an overall reduction in steel production in 2022 versus 2021, in the presence of relatively constant GHG emissions from fuel combustion at generation facilities



# Key Performance Indicators



## Key Performance Indicators

Category	Key performance indicators		2020	2021	2022
Financial performance	<b>* EBITDA, \$m</b>		X,XXX	X,XXX	Significantly below 2021
	Link to strategy	To be the best supplier To be a leader in operational excellence			
	Measurement	EBITDA is calculated based on operating profit adjusted for depreciation and loss on disposal of property, plant and equipment (PPE) (deducted), and the share of the financial results of associates, including impairment of investments in associates (added)			
	Performance overview	EBITDA decreased versus 2021 due to unfavourable market conditions. The EBITDA margin also declined			
	Link to capital	Financial capital			
	<b>* Free cash flow, \$m</b>		X,XXX	X,XXX	Below 2021
	Link to strategy	To be the best supplier To be a leader in operational excellence			
	Measurement	Free cash flow is calculated as net cash from operating activities plus interest received and proceeds from disposal of PPE and intangible assets, net of purchase of PPE and intangible assets			
	Performance overview	Free cash flow declined reflecting lower sales volumes and lower prices for metal products			
	Link to capital	Financial capital			



Category	Key performance indicators		2020	2021	2022
Sales and market share	<b>* Sales volumes, mt</b>		10.8	12.5	10.7
	Link to strategy	To be the best supplier			
	Measurement	The volume of steel products sold within the period			
	Performance overview	Sales of metal products decreased by 14% year-on-year due to existing export restrictions, overhauls of equipment at the beginning of the year, and a significant slowdown in business activity on foreign markets			
	Link to capital	Production capital, social and reputation capital			
	<b>* OTIF<sup>18</sup>, %</b>		64	72	81
	Link to strategy	To be the best supplier			
	Measurement	OTIF is calculated as the number of orders fulfilled on time in full (items) in the selected period divided by the total number of orders			
	Performance overview	OTIF increased by 9 p.p. year-on-year and by 17 p.p. versus 2020 demonstrating steady growth and the effectiveness of measures taken to increase the share of timely shipping of orders in order to improve customer attractiveness			
	Link to capital	Social and reputation capital			
	<b>Product innovation<sup>19</sup>, '000t</b>		595	961	877
	Link to strategy	To be the best supplier			
	Measurement	The indicator is calculated as the total volume of products with additional characteristics and new types of products mastered and shipped to the market			
	Performance overview	The indicator decreased amid falling volumes of shipped products			
	Link to capital	Intellectual capital			

<sup>18</sup> Only for MMK<sup>19</sup> Only for MMK





Category	Key performance indicators		2020	2021	2022
Operational efficiency	<b>Slab cash cost, \$/t</b>		XXX	XXX	XXX
	Link to strategy	To be a leader in operational excellence			
	Measurement	The slab cash cost is calculated by dividing costs <sup>20</sup> incurred in the production process by the volume of basic oxygen furnace (BOF) steel output for the period			
	Performance overview	The slab cash cost increased year-on-year, which was mainly due to the strengthening of the Russian rouble against the US dollar (RUB 68.6/\$ in 2022 versus RUB 73.6/\$ in 2021). In rouble terms, the indicators for 2022 and 2021 were comparable			
	Link to capital	Production capital			
	<b>Energy intensity, GJ/t of steel</b>		26.41	25.72	27.41
	Link to strategy	To be a leader in operational excellence			
	Measurement	The integral indicator is calculated as the ratio of the MMK Group's total energy consumption to steel production. The MMK Group's total energy consumption is defined as the sum of renewable and non-renewable fuels consumed, purchased electricity, energy for heating, energy in the form steam, net of sold electricity, energy for heating and energy in the form of steam			
	Performance overview	The MMK Group's energy intensity was up by 6.6% year-on-year due to a 14.4% decrease in steel production. At the same time, the MMK Group's total energy consumption declined by 8.8%			
	Link to capital	Production capital			

<sup>20</sup> Costs incurred in the production process include raw materials (iron ore, pellets, coking coal, ferroalloys, metal scrap, others), fuel and power resources, labour, repairs and maintenance of PPE and other costs



Category	Key performance indicators		2020	2021	2022
	<b>* Savings resulting from supply and procurement strategies, \$m</b>		6	7.5	14.3
	Link to strategy	To be a leader in operational excellence			
	Measurement	Actual savings resulting from supply and procurement strategies			
	Performance overview	Savings were achieved through the purchase of new equipment and the sale of other products made using it through an alternative electronic trading platform; expanding the competitive environment by attracting new suppliers; using corporate discounts and purchasing identical products from different manufacturers at better prices			
	Link to capital	Social and reputation capital			
Sustainable development	<b>* LTIFR (over the past 12 months)</b>		0.66	0.62	0.54 <sup>21</sup>
	Link to strategy	To be a responsible, sustainable business			
	Measurement	LTIFR is calculated as the number of lost-time injuries per million of person-hours worked			
	Performance overview	The LTIFR decreased year-on-year to 0.54, indicating a decrease in the number of accidents due to measures aimed at improving the production safety culture and eliminate the root causes of accidents			
	Link to capital	Human capital			
	<b>* Employee engagement, %</b>		68.3	77.8	77.9
Link to strategy	To be a responsible, sustainable business				

<sup>21</sup> including contractors



Category	Key performance indicators		2020	2021	2022
	Measurement	The indicator <sup>22</sup> is calculated by finding the average percentage of engagement in each structural unit among the workshops in the focus group through questionnaires. Positive answers to the questions are used for the calculation			
	Performance overview	The level of engagement remained flat year-on-year, despite the unfavourable environment			
	Link to capital	Human capital			
	<b>* CO<sub>2</sub> (greenhouse gas emissions), tCO<sub>2</sub>e/t of crude steel (Scope 1+2)</b>				
	Link to strategy	To be a responsible, sustainable business			
	Measurement	GHG emissions are calculated according to the guidelines of the Russian Ministry of Natural Resources and Environment (Order No. 300 dated 30 June 2015), ISO 14064-1:2018 and ISO 14067:2018. Only CO <sub>2</sub> emissions are included in the calculation	2.18	1.95	2.19
	Performance overview	The increase in specific greenhouse gas emissions is due to a reduction in the share of electric-arc-furnace steel in total steel production and an overall reduction in steel production in 2022 versus 2021, in the presence of relatively constant GHG emissions from fuel combustion at generation facilities			
Link to capital	Social and reputation capital, natural capital				

**\* The indicators included in the incentive system for MMK senior management**

**Notes:**

2. Exchange rates used: 2020 — RUB 72.4/\$; 2021 — RUB 73.6/\$; 2022 — RUB 68.6/\$ (for all KPIs, except for the savings resulting from supply and procurement strategies) and RUB 78.0/\$ (for the savings resulting from supply and procurement strategies)

3. Such indicators as OTIF, product innovation, CO<sub>2</sub> (GHG emissions) are calculated for MMK only. The remaining indicators are calculated for the MMK Group.

<sup>22</sup> The indicator is considered medium if the level of engagement is from 50 to 80%, high if it is more than 80%, and low if it is less than 50%



**Sustainability**





**ESG aspects have been incorporated into the MMK Group's Development Strategy. Their priority is confirmed by the fact that the Group factors the sustainability principles into its operations by focusing on environmental protection, industrial safety, employees' health and well-being, as well as local community development, ethical business conduct, and effective corporate governance.**



## MMK Group constantly interacts with its stakeholders, maintains long-term relations and takes into account their interests in ESG-related issues.

MMK Group discloses information on the environmental, economic and social aspects in accordance with the needs and expectations of its stakeholders. In 2022, MMK Group actively interacted with representatives of all key stakeholders. In particular, a survey was conducted among 165 participants, including MMK employees and managers, as well as external stakeholders, to identify material topics for disclosure of non-financial information in the Sustainability Report. Based on the performed materiality analysis, a list of 14 topics was determined for three blocks — environmental, social and economic. Once material topics that are significant to stakeholders and MMK Group were identified, the topics were ranked by priority.

MMK Group is committed to become a leader in the industry in terms of occupational health and safety (LTIFR is below the industry average, with the goal of achieving zero injuries), introduce best practice standards (ISO 45001) and strive for continuous improvement (automation, promoting safety culture). The strategic goal is to reduce Lost Time Injury Severity Rate (LTIFR) to 0.45 by 2025. The Group undertakes a multidisciplinary approach to prevent accidents at work, including introduction of automated safety systems and promoting safety culture. The combined LTIFR<sup>23</sup> decreased by 12.9% at MMK Group, to 0.54 (0.62 in 2021).

The MMK Group pays great attention to employees, ensuring comfortable working conditions, a decent level of remuneration, career and personal potential development. Achievements in HR management attest to the competent approach and effectiveness of decisions taken, which allows attracting young talents and developing business. In the reporting year, the MMK Group's average headcount was 53,530 people. The MMK Group achieved gold status in the Forbes 2022 ranking of Russia's best employers.

As a company committed to the development of its regions of operations, the MMK Group has been providing a strong support for the local communities. As a major employer and taxpayer, the Group provides jobs to local residents, initiates and assists in the implementation of charitable projects, and tackles many social issues. \$15.3 million was the Group's investments in the development of local communities and charity.

The MMK Group strives to reduce its environmental footprint by taking environmental protection measures and implementing technical upgrade programmes involving reconstruction and construction of new technical facilities. The upgrade projects meet the requirements of the best available technologies and are designed to improve the efficiency of production processes, including energy efficiency. In 2022, the emphasis was on air protection, resulting in reduced pollutant emissions.

<sup>23</sup> LTIFR = (the number of lost time injuries) x 1,000,000 / (total hours worked). Including injuries of contractors' employees.





In the reporting period there was 11.2% reduction in the total emissions of air pollutants. To assess the condition of atmospheric air in Magnitogorsk, the Comprehensive Air Pollution Index (CAPI) is used, which takes into account the contribution of various industrial enterprises of the city to air pollution. Bringing the CAPI down to a level below 5 units is a strategic goal of MMK. Since the MMK's participation in the federal Clean Air project, the CAPI has decreased by a factor of 2.7, reaching a value of 5.7 units in 2022. The MMK Group's total spending on environmental protection activities<sup>24</sup> in 2022 amounted to USD 380.0 million.

As one of the world's largest steel producers, MMK Group recognises its responsibility for contributing to climate change processes and supports global initiatives aimed at reducing greenhouse gas emissions into the atmosphere. MMK Group's priorities in the area include increasing energy efficiency and modernising production processes to reduce greenhouse gas emissions. In 2022, MMK's specific greenhouse gas emissions were 2.19 tonnes of CO<sub>2</sub> e/t of steel.



**In order to achieve MMK Group's goals and high sustainability results, its management focuses on the integration of the sustainability management system into the Company's overall corporate governance system. ESG responsibilities are allocated across all organisational levels.**

<sup>24</sup> Includes investments in fixed assets related to environmental protection, as well as current environmental expenditures (maintenance, major overhauls and current repairs of environmental facilities) and other environmental expenditures





# Risk Management



## Risk Management System (RMS)

**Risk identification, analysis and management are performed at all levels of the MMK Group's business processes. Risk-oriented thinking is embedded into management, investment and operational decision-making processes.**

The MMK Group's risk management system complies with international risk management principles and best practices. Independent audits have repeatedly confirmed its effectiveness, and we have implemented the auditors' recommendations for further improvement. Prevention of damaging consequences enables the Group to achieve its goals.

The MMK Group's risk management system is integrated into its strategy, purpose and vision. The Group has approved a Risk Management Policy that sets out the main principles and approaches to risk management arrangements.

The Board of Directors is informed and involved in the activity and:

- approves the Risk Management Policy
- considers and approves the strategy based on risks
- approves and revises the risk appetite
- monitors and analyses the RMS performance.

Information on materialised risks is disclosed fairly and objectively. Approaches to the organisation and performance of risk management are improved to reflect changes in the external and internal environment.

The roles, duties and responsibilities of RMS participants are governed by internal regulatory documents prepared in accordance with ISO 31000, the Corporate Governance Code, COSO ERM 2017.





## Risk Management Culture

The MMK Group has established a risk management and internal control unit to ensure effective operation of the RMS. The unit's tasks in terms of risk management include designing and developing the methodology, organising training for employees, coordinating business units' actions within the RMS and preparing consolidated risk reporting.

The level of knowledge and qualifications of the Group employees in terms of risk management is constantly improving. The risk management and internal control unit organises periodic training sessions on the fundamentals of the risk management system, as well as consulting, methodological support and discussion of risk management issues.

In 2022, the following measures were implemented for the purposes of RMS development:

- updating the Group's risk management standard
- training in the procedures for identifying and assessing risks, developing and monitoring the implementation of risk mitigation measures for heads and deputy heads of structural divisions authorised to address business processes risks
- implementing a part of the "Digitalisation of the risk management process and the internal control system" project.

## Risk Capacity

The MMK Group's risk appetite statement is set out in a formalised and periodically reviewed document designed to make sure that day-to-day operational decisions at all levels of management are made within established limits and to provide reasonable assurance that business objectives will be achieved.

The MMK Group has zero risk appetite for the following events:

- workplace accidents
- equipment downtime due to violations of environmental laws resulting in an injunction on the use of equipment
- accidents involving employees that have led to their persistent disability or the death of the injured
- loss of confidential information, suspension of equipment due to a cyber attack
- a strike or other collective actions suspending the Group's operations
- corruption.

# Risk Management Plan and Strategy

The risk management strategy is aimed at ensuring the sustainable development of the MMK Group through risk-based decision-making and is implemented through:

- identification and assessment of risks of day-to-day operations
- identification and assessment of risks related to projects and initiatives
- development of risk mitigation measures
- risks realisation monitoring
- informing management of potential and materialised risks.

## Risk Management Process

### Risk identification and documentation

Within the MMK Group's risk management framework, risks are identified based on business process objectives. Identified risks are shown in the business-process risk registers, with the most significant risks consolidated in the MMK Group's Risk Map.

### Risk assessment

All identified risks are assessed in terms of their possible quantitative and qualitative impact on the business, as well as the likelihood of their occurrence, and are ranked by significance.

Quantitative assessment is used to supplement the qualitative assessment of risks and compare the risk magnitude to the cost of its mitigation. If the risk materialises, the quantitative assessment shows the damage from the influence of risk on the Company's EBITDA. We use approved methods to assess specific significant risks to the Group.

Business-process-specific risk dashboards and the MMK Group's Risk Map are used to record and track each risk throughout the risk management process.



## Risk impact assessment

Level of impact					
Quantitative assessment (RUB million)	<10	10–100	100–1,000	1,000–10,000	>10,000
Qualitative assessment	Very low	Low	Medium	High	Very high
Accident	Hazardous situations	Minor accidents subject to investigation	Accidents resulting in persistent disability (severe accidents)	Fatal accidents	Group fatal accident
Social tensions	Isolated cases of discontent	Strike by key specialists	Strike within a business unit	Large-scale strike	Collective action to suspend the MMK Group's operations
Likelihood of risk realisation					
Quantitative assessment (%)	0–9.99	10–19.99	20–49.99	50–89.99	90–100
Qualitative assessment	Very low	Low	Medium	High	Very high

## Risk management decision-making

Based on the risk assessment, the Group decides on one of four ways to respond to the risk:

- risk acceptance
- risk mitigation
- risk transfer to a third party
- risk avoidance.

The outcomes of risk assessment activities are used to reassess the risk and evaluate the effectiveness of these activities.

## Monitoring and reporting

Twice a year, the Group runs a risk realisation monitoring procedure for key risks shown in the MMK Group's Risk Map.

The monitoring results are used to prepare a document containing the following information:

- risk realisation during the reporting period
- causes of risk realisation
- completed risk mitigation procedures.

At the business process level, risk realisation is monitored by business process owners.

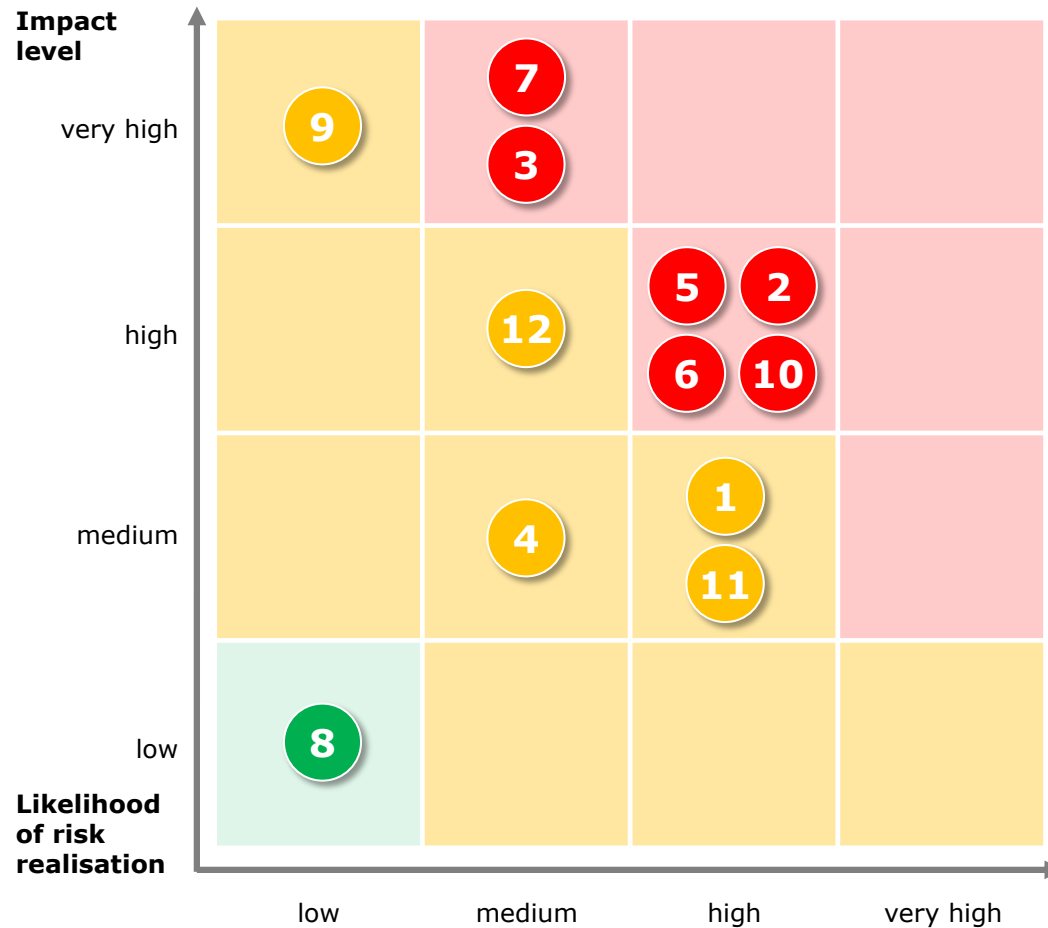
The MMK Group's consolidated risk report includes:

- the MMK Group's Risk Map reviewed by the Audit Committee of MMK's Board of Directors and approved by order of the CEO
- risk realisation monitoring for the MMK Group's risks reviewed by the Audit Committee of MMK's Board of Directors.

The Board of Directors reviews the RMS performance report prepared by the internal audit department on an annual basis.



# MMK Group's Risk Map












- 1** Industrial accidents and other incidents
- 2** Defective products
- 3** Decrease in the price spread
- 4** Non-fulfilment of obligations by buyers and customers
- 5** Sanctions related to dealings with suppliers
- 6** Accidents
- 7** Environmental risk
- 8** Social tension
- 9** Climate risk
- 10** Cyber risk
- 11** Corporate fraud
- 12** Sanctions for violation of laws










## Key

Risks impact on achieving PJSC MMK Group's strategic goals	Risk level	Change in risk compared to the previous period
Best supplier 	 high	 increase
Sustainable development (ESG) 	 medium	 decrease
Operations leader 	 low	 same risk level






## Principal risks included in the MMK Group's Risk Map

For each of the principal risks, we have determined the factors giving rise to the risk, the material topics and types of capital covered, and the list of measures to mitigate the risks.

Risk factors	Risk impact	Impact on capital	Risk mitigation measures
<b>Production risks</b>			
<b>Industrial accidents and incidents</b>     			
<ul style="list-style-type: none"> <li>• Violation of technical instructions and equipment operation rules</li> <li>• Use of raw materials, supplies and equipment of inadequate quality</li> <li>• Failure to comply with the regulations on repairs, expert assessment of industrial safety</li> </ul>	<ul style="list-style-type: none"> <li>• Disruption of continuous operation of critical equipment</li> <li>• Occurrence of accidents</li> <li>• Equipment restoration costs</li> <li>• Reputational losses</li> </ul>	<ul style="list-style-type: none"> <li>• Financial capital</li> <li>• Production capital</li> <li>• Human capital</li> <li>• Social and reputational capital</li> <li>• Natural capital</li> </ul>	<p>The Company takes measures to prevent accidents and ensure safe operation of production processes:</p> <ul style="list-style-type: none"> <li>• monitoring the compliance of raw materials, supplies and equipment delivered to warehouses with the stated requirements and quality specifications</li> <li>• technical audits of suppliers</li> <li>• searching for equivalent Russian raw materials, supplies and equipment</li> <li>• improving the unified system for training and assessing employees' knowledge</li> <li>• performing regular assessment of employees' knowledge of technical instructions</li> <li>• training and certifying all newly hired employees</li> <li>• staff upskilling</li> <li>• performing scheduled repairs, maintenance, upgrade and modernisation of fixed assets on a timely basis</li> <li>• performing unscheduled inspections of buildings and structures, identifying instances of non-compliance with regulations, drawing up a plan for repair work.</li> </ul>








Risk factors	Risk impact	Impact on capital	Risk mitigation measures
<p><b>Defective products</b></p> <div style="display: flex; align-items: center; justify-content: center;">    </div>			
<ul style="list-style-type: none"> <li>• Equipment malfunctions</li> <li>• Violation of technical instructions and equipment operation rules</li> <li>• Use of raw materials, supplies and equipment of inadequate quality</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of the Company's reputation as a reliable supplier of high-quality products</li> <li>• Loss of customers</li> <li>• Decrease in the Group's financial indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Financial capital</li> <li>• Social and reputational capital</li> </ul>	<p>Customer-centric policy, improvement of the quality management system (QMS), continuous work on improving technological processes and product quality enable the Company to guarantee the high quality of products to its customers.</p> <p>MMK implements the following risk mitigation measures:</p> <ul style="list-style-type: none"> <li>• installing technology compliance controls at production facilities</li> <li>• ensuring continuous improvement of personnel competencies</li> <li>• carrying out comprehensive inspections of technology compliance and multi-level audits across business units</li> <li>• carrying out internal and external QMS audits</li> <li>• reviewing technology letters</li> <li>• preparing and reviewing specifications and requirements for raw materials and supplies</li> <li>• monitoring the quality of incoming raw materials, fuel, refractory materials, semi-finished products and other supplies</li> <li>• testing new material resources</li> <li>• carrying out audits of suppliers</li> <li>• searching for equivalent Russian raw materials, supplies and equipment</li> <li>• providing scheduled preventive and corrective maintenance of production equipment</li> <li>• implementing quality programmes</li> <li>• arranging audits based on a single checklist</li> <li>• investigating industrial incidents and accidents.</li> </ul>



Risk factors	Risk impact	Impact on capital	Risk mitigation measures
<b>Market risks</b>			
<p data-bbox="147 363 1164 432"><b>Decrease in the price spread between the average price of rolled metal and the cost of the basic raw materials basket</b></p> <div data-bbox="1238 363 1657 432" style="display: flex; align-items: center; justify-content: center;"> </div>			
<ul style="list-style-type: none"> <li>• Deterioration of the geopolitical and economic environment</li> <li>• High competition</li> <li>• High volatility in the raw materials market</li> <li>• Monopolisation of raw materials markets</li> <li>• Ineffective development of the distribution network</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease in the Group's financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• Financial capital</li> </ul>	<p data-bbox="1352 478 2101 539">The Company takes all reasonable steps to mitigate this risk:</p> <ul style="list-style-type: none"> <li>• planning production activities based on ongoing monitoring of the situation in the industry</li> <li>• switching to settlements in alternative currencies (RUB, TRY, CNY, KZT)</li> <li>• increasing the share and volume of sales to the domestic market under long-term contracts</li> <li>• extending long-term contracts on raw materials supply, moving from formula-based to spot-based pricing</li> <li>• diversifying key raw material suppliers, negotiations and attraction of new suppliers</li> <li>• monitoring opportunities for expanding our own raw materials base</li> <li>• diversifying consumer base</li> <li>• active marketing policy</li> <li>• concluding long-term contracts on metal products shipment</li> <li>• refocusing production on buyers and products that are more in demand on the market</li> <li>• offering alternative terms that meet customers' needs, flexible pricing policy</li> <li>• improving product quality and promptly responding to quality complaints.</li> </ul>











Risk factors	Risk impact	Impact on capital	Risk mitigation measures
<b>Financial Risks</b>			
<b>Non-fulfilment of obligations by buyers and customers</b>   			
<ul style="list-style-type: none"> <li>• Shipment of products under unsecured deferred payment contracts</li> <li>• Unstable financial and economic conditions of buyers and customers</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease in the Group's financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• Financial capital</li> </ul>	<p>The following measures are taken to minimise the risk:</p> <ul style="list-style-type: none"> <li>• increasing the share of shipments with a preliminary form of settlements</li> <li>• increasing the share of contracts with bank guarantees and sureties</li> <li>• applying factoring payment arrangements</li> <li>• obtaining accounts receivable insurance</li> <li>• assessing the customers' creditworthiness when shipping products on credit</li> <li>• setting limits for shipment on credit</li> <li>• monitoring of overdue accounts receivable on a daily basis.</li> </ul>
<b>Sanction restrictions related to dealings with suppliers</b>  			
<ul style="list-style-type: none"> <li>• Sanctions</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease in the Group's financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• Financial capital</li> </ul>	<p>The Company sees the following risk management opportunities:</p> <ul style="list-style-type: none"> <li>• offsetting mutual claims with other Russian companies</li> <li>• resuming projects after sanctions are lifted</li> <li>• disclosing bank guarantees</li> <li>• carrying out payments through intermediaries</li> <li>• arranging new currency payment channels: expansion of the number of banks and payment chains</li> <li>• changing the payment currency to an alternative currency (TRY, CNY, KZT).</li> </ul>





Risk factors	Risk impact	Impact on capital	Risk mitigation measures
<b>Sustainability risks</b>			
<b>Accidents</b>  			
<ul style="list-style-type: none"> <li>• Underestimating risks, unsafe working practice</li> <li>• Box ticking approach to the operational health and safety (OHS) training</li> <li>• Shortcomings in the site and equipment maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Deterioration of the Group's reputation</li> <li>• Deterioration of employees' health</li> </ul>	<ul style="list-style-type: none"> <li>• Social and reputational capital</li> </ul>	<p>The system for managing occupational health and safety is one of the components of MMK's sustainable development. The Group is constantly working on prevention of accidents with a focus on informing and training employees on OHS issues, ensuring safe working conditions and providing the necessary personal protective equipment.</p> <p>Risk mitigation measures:</p> <ul style="list-style-type: none"> <li>• developing employee self-training in business units using terminals installed in workshops</li> <li>• developing VR training at the Safety School</li> <li>• promoting OHS information and receiving feedback from employees through the VKontakte social network, "I work for MMK" group</li> <li>• implementing an incentive system for young workers and mentors</li> <li>• enhancing the behavioural safety audit system</li> <li>• training managers in the "Occupational Safety Culture" programme</li> <li>• visualising safe performance of hazardous technological operations with uploading in My MMK (video instructions)</li> <li>• enhancing the behavioural safety audit system</li> <li>• implementing video analytics of work areas and robotic automation of hazardous operations</li> <li>• developing the OHS monitoring system in business units (supervising)</li> </ul>








Risk factors	Risk impact	Impact on capital	Risk mitigation measures
			<ul style="list-style-type: none"> <li>• developing the system of personnel tracking in hazardous areas</li> <li>• arranging safety areas, installing additional fencing, excluding people from high-risk areas</li> <li>• promoting the automated Safety Navigator system to detect hazardous activities and hazardous conditions at PJSC MMK Group organisations</li> <li>• MMK specialist supervising the safe execution of repair work.</li> </ul>
<b>Environmental risk</b>   			
<ul style="list-style-type: none"> <li>• Obsolete technologies and physical depreciation of environmental protection facilities</li> <li>• Non-compliance with statutory requirements</li> <li>• Failure to comply with environmental safety requirements when operating technological equipment and performing maintenance and repair</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental deterioration</li> <li>• Penalties</li> </ul>	<ul style="list-style-type: none"> <li>• Financial capital</li> <li>• Social and reputational capital</li> <li>• Natural capital</li> </ul>	<p>The most important elements of MMK's strategy that ensure the Company's long-term and sustainable development are the constant reduction and prevention of harmful environmental impacts and the implementation of the best available technologies:</p> <ul style="list-style-type: none"> <li>• upgrading the existing and using modern environmental technologies when constructing new production facilities</li> <li>• providing automation of industrial emissions control systems</li> <li>• implementing a comprehensive action plan to reduce pollutant emissions.</li> </ul>
<b>Social tension</b>   			
<ul style="list-style-type: none"> <li>• Headcount changes</li> <li>• Insufficient indexation of salaries and, as a result, a reduction in the standard of living</li> </ul>	<ul style="list-style-type: none"> <li>• Deterioration of the employees' social well-being and overall emotional state. Negative impact on the Group's operations</li> </ul>	<ul style="list-style-type: none"> <li>• Intellectual capital</li> <li>• Human capital</li> <li>• Social and reputational capital</li> </ul>	<p>MMK implements a number of social programmes aimed at creating a favourable environment for resolving all life issues:</p> <ul style="list-style-type: none"> <li>• treating and preventing diseases</li> <li>• supporting maternity and childhood.</li> </ul>







Risk factors	Risk impact	Impact on capital	Risk mitigation measures
<ul style="list-style-type: none"> <li>• Uneven employee workload and reward</li> </ul>			<p>In addition, MMK Group employees' base pay and salaries are adjusted on an annual basis, expansion of service areas and combination of professions are used as supplementary sources of remuneration increases, and additional performance payments and bonus systems are used to enhance financial incentives and commitment of employees.</p>
<p><b>Climate risk</b> </p>			
<ul style="list-style-type: none"> <li>• Long-term negative climate trends</li> <li>• Emergency climate events</li> <li>• Introduction of the Carbon Border Adjustment Mechanism (greenhouse gas (GHG) emission price)</li> <li>• Higher prices for fossil fuels</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in capital expenditures on implementing new technologies</li> <li>• Increase in fuel purchase costs</li> <li>• Disruption of production processes</li> <li>• Environmental damage</li> <li>• Incidents resulting in injuries to employees</li> <li>• Reputational losses</li> <li>• Additional duties, penalties and sanctions</li> </ul>	<ul style="list-style-type: none"> <li>• Financial capital</li> <li>• Production capital</li> <li>• Intellectual capital</li> <li>• Human capital</li> <li>• Social and reputational capital</li> <li>• Natural capital</li> </ul>	<p>MMK takes the following measures to mitigate this risk:</p> <ul style="list-style-type: none"> <li>• assessing the carbon intensity of MMK's production processes and developing measures to reduce emissions under existing technologies and planned projects</li> <li>• creating an automated system for calculating greenhouse gas emissions.</li> </ul>
<p style="text-align: center;"><b>Economic security risks</b></p>			
<p><b>Cyber risk</b> </p>			
<ul style="list-style-type: none"> <li>• Vulnerabilities in the software and hardware of the APCS and information systems</li> </ul>	<ul style="list-style-type: none"> <li>• Disruption of continuous operation of critical equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Financial capital</li> <li>• Production capital</li> <li>• Intellectual capital</li> <li>• Human capital</li> </ul>	<p>MMK takes the following measures to mitigate this risk:</p> <ul style="list-style-type: none"> <li>• implementing technical measures to raise employee awareness about information security issues</li> </ul>



Risk factors	Risk impact	Impact on capital	Risk mitigation measures
<ul style="list-style-type: none"> <li>• Non-compliance with the statutory requirements on information protection and use of licensed software</li> <li>• Abuse of authority/erroneous actions of personnel</li> <li>• Failure of the APCS information infrastructure and information systems key components</li> <li>• Lack of personnel awareness in the area of information security</li> <li>• Exit of most foreign vendors (manufacturers of IT equipment and software) from the Russian informational technologies market</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of confidential information</li> <li>• Reputational losses</li> </ul>	<ul style="list-style-type: none"> <li>• Social and reputational capital</li> </ul>	<ul style="list-style-type: none"> <li>• appointing individuals responsible for information security in business units</li> <li>• implementing a security system to protect critical information infrastructure</li> <li>• security assessment of key information systems and resources</li> <li>• antivirus protection and software security updates management</li> <li>• implementing a programme of measures to protect IT solutions</li> <li>• automated control over user access rights for special-purpose information systems</li> <li>• monitoring and managing information security events</li> <li>• building resilient server and telecommunications infrastructure</li> <li>• providing utility infrastructure and power supply at data centres</li> <li>• implementing the import substitution programme</li> <li>• ensuring comprehensive technical support of IT solutions by Russian partners of foreign vendors</li> <li>• considering alternative methods for purchasing IT equipment, software and IT services.</li> </ul>
<p><b>Corporate fraud</b></p> <div style="display: flex; justify-content: center; align-items: center; gap: 10px;">      </div>			
<ul style="list-style-type: none"> <li>• The possibility of making decisions that lead to economic damage due to the lack of clear and appropriate procedures and controls for business processes in regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Economic damage</li> </ul>	<ul style="list-style-type: none"> <li>• Financial capital</li> <li>• Production capital</li> <li>• Intellectual capital</li> <li>• Human capital</li> <li>• Social and reputational capital</li> </ul>	<p>The MMK Group ensures constant development of the internal environment in order to increase employees' awareness of the control system. To this end, the following measures are taken:</p> <ul style="list-style-type: none"> <li>• improving internal control systems</li> <li>• developing and updating control procedures</li> </ul>





Risk factors	Risk impact	Impact on capital	Risk mitigation measures
<ul style="list-style-type: none"> <li>High-level information security requirements being inadequate for emerging threats</li> <li>Employees' failure to comply with their job descriptions</li> </ul>			<ul style="list-style-type: none"> <li>developing internal regulatory documents (such as the Code of Ethics), policies, procedures and reporting forms for monitoring the Group's activities in order to safeguard its assets</li> <li>setting up communication channels — hotlines.</li> </ul>
<b>Compliance risks</b>			
<b>Sanctions for violation of laws</b>    			
<ul style="list-style-type: none"> <li>Inadequate internal control over compliance with legal requirements</li> <li>Ambiguity in government authorities' decisions on the application of sanctions for violation of laws</li> </ul>	<ul style="list-style-type: none"> <li>Economic damage</li> <li>Reputational losses</li> </ul>	<ul style="list-style-type: none"> <li>Financial capital</li> <li>Social and reputational capital</li> </ul>	<p>MMK takes the following measures to mitigate this risk:</p> <ul style="list-style-type: none"> <li>improving internal control systems for compliance with legal requirements</li> <li>submitting appeals against decisions on the application of sanctions.</li> </ul>



# Governance

## Corporate Culture



**MMK has a history of more than 90 years, so we are working hard to preserve the corporate culture that has been developed by our successors for decades. People who stood at the origins of the enterprise unlikely knew the term “corporate culture,” but they understood very well what style of work reflected and defined everything MMK aspired to.**

Our priorities — the economic effect and quality — have not changed since that time. We establish partnership relations with all stakeholders, take care of the safety, health and well-being of our employees and make every effort to ensure that MMK employees receive fair remuneration for their work and have the opportunity to realise their ambitions in our Company. MMK strives for continuous improvement in all areas, be it business processes and ways of doing business, employee opportunities or product quality.

The history and identity of MMK and Magnitogorsk are inseparably connected: it was the establishment of our company here in the 1930s that formed the current appearance of the city. MMK is the major employer in the region, and we recognise the importance of our company for the social, economic and environmental health of our home city. Our activities are initially aimed at improving the quality of life of people living in Magnitogorsk and creating new opportunities for development of the region.



Our corporate culture is based on the principles of integrity and transparency, so we use well-established mechanisms to combat misconduct and corruption in all forms and manifestations. This robust governance system enables us to develop trustworthy relations with all stakeholders.

We recognise our responsibility for the environmental impact of our operations and the need to value and protect the

world around us. Our corporate culture reflects these priorities of the 21st century.

MMK's 90-year-old corporate culture is one of our most valuable assets. We protect and develop it and hope that we will be able to follow its principles in the long term.

## Corporate Governance Approach

MMK's sound approach to corporate governance, combined with its leading position in the metals industry and strong performance, makes it a leading modern Russian company and a reliable partner in Russia and around the world. The Group is guided by international and Russian corporate governance standards, including the provisions of the Corporate Governance Code recommended by the Bank of Russia and the listing rules of the Moscow Exchange.

MMK's corporate governance principles and rules are set out in the Company's Code of Corporate Governance that was revised and approved by the Board of Directors on 20 December 2019 (available on MMK's [website](#))<sup>25</sup>. These principles and rules are as follows:

- protection of shareholder and investor rights
- compliance with effective laws and internal documents
- equal treatment of all shareholders (including foreign and minority shareholders)
- mutual trust and respect for all stakeholders, open dialogue
- integrity of management

- commitment to continuous reduction and prevention of harmful environmental impacts, an approach that will provide an environmental perspective to new development projects, and deployment of the best available technologies.

MMK follows these principles strictly and monitors new corporate governance requirements and best practices, continuously improving its own approach. This is specifically ensured through:

- the annual performance evaluation of the Board of Directors
- the Board of Directors' review of the report on compliance with the principles and recommendations of the Corporate Governance Code
- the Corporate Secretary's updates for the Board of Directors on changes in regulation and corporate governance practices
- communications with shareholders and investors and other stakeholders.

The Company engages proactively with stakeholders, including minority and foreign shareholders, on corporate governance matters. MMK adheres to a corporate-wide policy that applies to all its subsidiaries and affiliates and other legal entities of which it is a shareholder, founder or member.

<sup>25</sup> All MMK's internal documents are available on the Company's [website](#).





## The MMK Group's Code of Ethics: corporate culture and values

We have been creating a culture of success for many years by rewarding achievements fairly. A wide range of strategies and initiatives supported and approved by the Board of Directors strengthen our culture and help us unite the values of our employees and MMK. We believe that people are our key resource and expect high standards of business conduct and professional achievements from our employees. Our corporate values, principles and requirements that underpin our business ethics are set out in [The MMK Group's Code of Ethics](#).

The Board of Directors is directly involved in developing MMK's corporate culture by approving internal policies and regulations. The corporate culture and values laid down by the Board of Directors in the MMK Group's Code of Ethics and other internal documents ensure that MMK enjoys the confidence of the investment community and the loyalty of its shareholders.

## Compliance with best practices

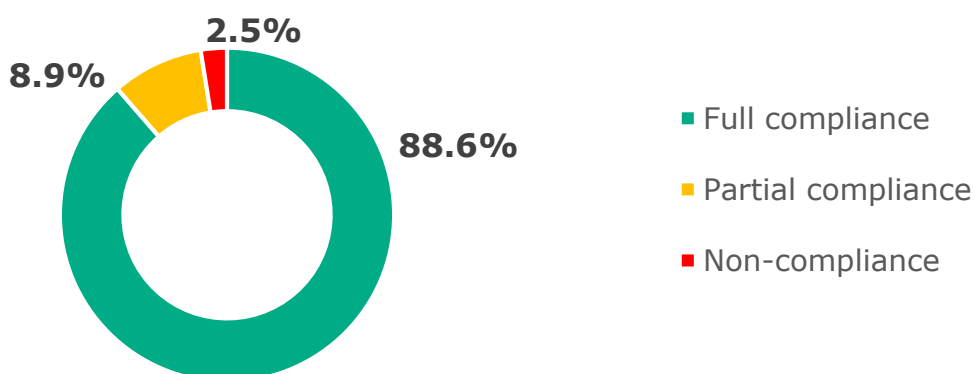
The Company complies with most of the corporate governance principles recommended by the Bank of Russia on 21 March 2014.

To assess its compliance with the principles set forth in MMK's Code of Corporate Governance, the Company used the recommendations for preparation of the report on compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia.

Of the 79 principles of MMK's Code of Corporate Governance, 77 principles (97.5%) were fully or partially complied with in 2022.

For more details, see the section on MMK's Compliance with the Principles and Recommendations of the Corporate Governance Code.

### Compliance with the principles and recommendations of the Corporate Governance Code (Bank of Russia)







Following the recommendations of MMK's Code of Corporate Governance and best corporate governance practices, the Company uses, in particular, the following mechanisms and tools (in accordance with its Charter and internal regulations):

- The deadline for shareholders to submit proposals for the agenda of the Annual General Shareholders' Meeting has been set — this should be done within 60 days of the end of the financial year.
- Rules of responding to shareholders' questions during the meeting have been established.
- An additional means of communications with shareholders has been provided — e-mail ([shareholder@mmk.ru](mailto:shareholder@mmk.ru)).
- An electronic voting system ([STATUS online. Shareholder page](#)) is used that enables every shareholder to exercise their right to vote freely and in the simplest and most convenient way.
- The list of matters to be decided on by a majority vote of all elected members of the Board of Directors and the list of matters to be decided on by the Board of Directors through in-person voting has been expanded.
- There is a collective executive body, the Management Board, whose main functions are to review the MMK Group's financial and economic plan (budget), forecast financial and economic indicators for the MMK Group, approve representatives in the MMK Group's companies and approve directives for the representatives to make decisions at general shareholders' meetings and meetings of boards of directors.
- There are representatives within the MMK Group companies to improve the quality of management. The representatives are guided by the Regulations on Representatives approved by MMK's CEO and the directives approved by MMK's Management Board.

- The Board of Directors is required to pass resolutions not only on transactions specified in Russian laws but also on transactions with a value exceeding 10% of the book value of the Company's assets, as well as on transactions to dispose of real estate regardless of the transaction value.
- The procedures for succession and selection of nominees to the Board of Directors are set out in MMK's Regulations on the Board of Directors and applied in practice.
- MMK's governing bodies can use electronic technologies in accordance with the Company's Charter and internal regulations and they do so in practice.
- Regular, open strategy sessions involving independent directors to discuss the implementation of the Company's portfolio of strategic initiatives and its KPI system are held.
- Particular attention is paid to environmental protection, social responsibility and corporate governance. The sustainability approach is embedded in all aspects of MMK's business and affects its decision-making. Our sustainability priorities are integrated into the Company's strategy. MMK promotes the development of the region where it operates, the social well-being of local communities and the preservation of the environment by meeting its economic obligations, social and environmental goals.

## Disclosure policy (information policy)

In 2008, the Board of Directors approved MMK's Information Policy. The CEO is responsible for announcing the Company's performance.

The Information Policy of MMK is aligned with applicable Russian laws, the Corporate Governance Code recommended by the Bank of Russia, rules and requirements of Russian securities market regulators and Russian and international best corporate governance practices.



The Company's Information Policy is focused on promoting the rights of shareholders and investors to material information relevant to taking investment and management decisions, as well as on protecting sensitive information about the Company the disclosure of which may result in damages to the Company and its shareholders.

The key principles of the Information Policy are:

- ensuring the right of shareholders, investors and other stakeholders to information in line with applicable Russian laws
- regular, consistent and timely information disclosure
- complete, up-to-date and reliable information, comparability of disclosed data
- accessibility
- equal and unhindered access to information and documents for shareholders upon request
- reasonable balance between transparency and confidentiality.

In 2022, PJSC MMK, under sanctions pressure and in line with Article 92.2 of the Federal Law on Joint Stock Companies and Decree of the Russian Government No. 400 dated 04 April 2019, exercised its right granted by Decree of the Russian Government No. 351 dated 12 March 2022 ("On the Specifics of Disclosure and Provision of Information subject to Disclosure and Provision according to the Federal Law on Joint Stock Companies and the Federal Law on the Securities Market and the Specifics of Disclosure of Insider Information according to the Federal Law on Counteracting the Illegitimate Use of Insider Information and Market Manipulation and on Amending Certain Legislative Instruments of the Russian Federation") and did not disclose or provide to third parties part of information to avoid restrictive measures.

## Board of Directors' evaluation

Every year since 2008, the Board of Directors has evaluated its own performance and that of its members and Committees. This helps to increase the Board of Directors' efficiency, identify areas for improvement and improve MMK's corporate governance practice. The results of the evaluation are set out in MMK's Integrated Annual Report.

To conduct an independent performance evaluation of the Board of Directors, MMK regularly (at least once every three years) engages an external organisation that must be approved by the Board of Directors upon a proposal from the Nomination and Remuneration Committee.

Following the evaluation, the Board of Directors approves an action plan to improve the Company's practices. On 25 October 2021, MMK's Corporate Governance Improvement Programme up to 2024 was approved. It covers the following aspects: strategy; risk management and internal control; composition and competence of the Board of Directors; organisation of meetings of the Board of Directors and its Committees; remuneration system for the Board of Directors, executive bodies and other key executives; stakeholder engagement, ESG, information disclosure.

On 8 December 2022, MMK's Board of Directors resolved to perform a self-evaluation of its own performance and that of its Committees and members in 2022.



## Results of the Board's self-assessment in 2022

As a result of the self-assessment conducted in 2022, members of the Board of Directors concluded that PJSC MMK's corporate governance complied with best practice and there was progress in improving it.

According to the Board of Director's assessment, the Company's management worked effectively under the trying circumstances of the pandemic and sanctions restrictions. Corporate governance has been able to adapt and remain effective. Its strengths still include social and environmental programmes and development of new products (systematic work).

The Board of Directors cooperates with the top management constructively and effectively and has managed to adapt the strategy to sanctions.

Its Committees discuss their agenda in great detail and the issues discussed are key to the Company's operations. Other positive developments include adaptation to the new reality and effective reallocation of duties and the workload.

Members of the Board of Directors gave a positive (satisfactory) personal rating to each member of the Board of Directors.

At the same time, the following areas in need of improvement were identified:

- increased digitalisation of technological processes, including the use of artificial intelligence
- automation (digitalisation) of the risk management and internal control system
- implementation of the digitalisation strategy and IT projects with due account for the changing environment
- greater involvement of the Strategic Planning Committee in the preparation of strategy elements
- adaptation of the executive compensation (bonus) system to the new reality
- consideration of a wider range of candidates when selecting audit firms
- improvement of the information policy in view of the external environment.



# Corporate Governance Improvement Programme

On 25 October 2021, the Corporate Governance Improvement Programme up to 2024 was approved. It focuses on the following areas:

## Strategy

Development of communication between the management and independent members of the Board of Directors on strategy issues in view of current challenges and the changing environment; introduction of regular strategic sessions of the Board of Directors to consider strategy issues as a whole; consideration of the possibility and feasibility of updating: the HR policy and the HR management strategy, the internal regulations on the system of succession planning for MMK's key executives, and the competence development programme for MMK's key executives.

## Risk management and internal control

Provision of information to the Audit Committee regarding new industry risks or new risks in MMK's operations; provision of information to the Audit Committee regarding best practices in risk management, internal control and internal audit at public industrial companies.

## Composition and competence of the Board of Directors

Consideration of the possibility and feasibility of strengthening the policy on ensuring diversity and equal opportunities for members of the Board of Directors to implement MMK's strategy subject to the principles of overall competence, balance, diversification, individualisation, independence and information transparency based on the relevant provisions of the Corporate Governance Code recommended by the Bank of Russia and the best practice of corporate governance.

## Meetings of the Board of Directors and its Committees

Development of the practice when Committee chairmen give reports on the work of their Committees at Board meetings; greater involvement of external experts to discuss specific issues at Committee meetings (if appropriate); implementation of an electronic document flow system for MMK's governing bodies and the MMK Group companies.

## Remuneration system for Board members, executive bodies and other key executives

Consideration of the possibility and feasibility of determining the amount and criteria for payment of remuneration to Board members in the Regulation on the Procedure of Remuneration and Compensation of Expenses of the Members of the Board of Directors of MMK taking into account the market practice, the Company's needs and engagement of desired directors.

## Stakeholder engagement, sustainability, information disclosure

Development and approval by the Board of Directors of a map of MMK's key stakeholders, their expectations, communication channels and persons responsible for communicating with them, as well as the stakeholder engagement strategy (including the role of the Board of Directors and the management) and its implementation plans (including in view of



international ESG reporting standards); consideration of the possibility of changing disclosure practices subject to changes in laws and best corporate governance practices.

## **Communication of the board of directors with stakeholders**

Establishing a constructive dialogue with all stakeholders is very important for the Company. This tool allows us, on the one hand, to inform stakeholders of the Company's efforts and achievements in the area of social, environmental and management initiatives and, on the other hand, to find out what issues are most important for each stakeholder in order to

improve operations and disclose information in these areas.

Under the unprecedented circumstances of external pressure and the sanctions policy of Western countries, in 2022 the external communications of the Company, members of its Board of Directors and executive management were limited.

At the same time, there was a major change in the composition of the external audience. Because of the entry into force of Federal Law No. 114-FZ on 27 April 2022,<sup>26</sup> PJSC MMK was obligated to take measures to delist its GDRs from the London Stock Exchange and terminate its GDR Programme. PJSC MMK has performed all its obligations under the laws of the Russian Federation and the Depositary Agreement in full.

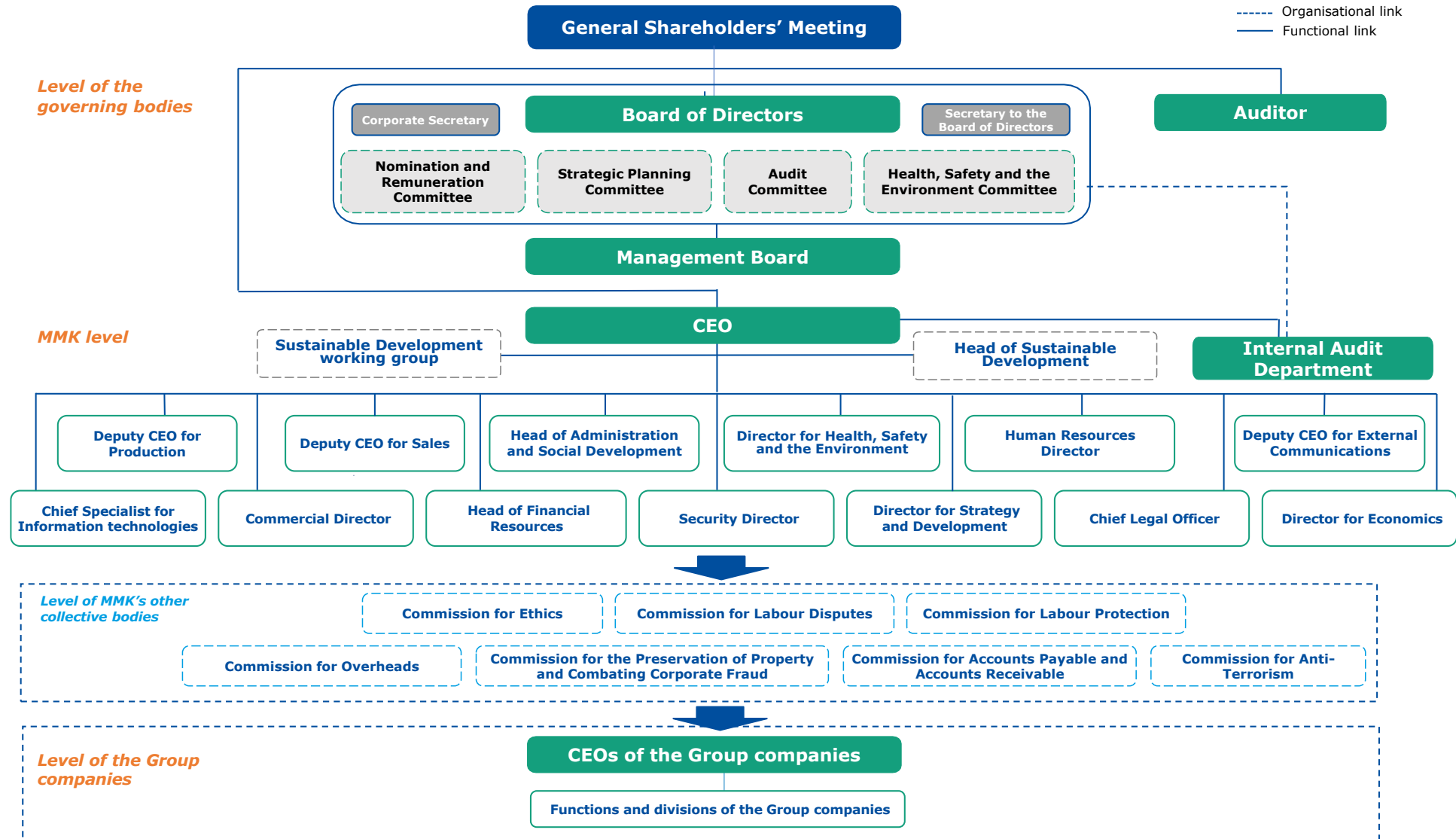
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<sup>26</sup> Federal Law of the Russian Federation No. 114-FZ dated 16 April 2022 "On Amendments to the Federal Law On Joint Stock Companies and Certain Legislative Instruments of the Russian Federation".





# Corporate Governance Structure of the MMK Group





## Overview of MMK's corporate governance model and practice

MMK's corporate governance structure is aligned with global best practice and comprises the following bodies:

- General Shareholders' Meeting
- Board of Directors
- Management Board (collective executive body)
- CEO (sole executive body).

## General Shareholders' Meeting

The [General Shareholders' Meeting](#) is the Company's supreme governing body. Shareholders exercise their right to participate in the management of the Company by voting at General Shareholders' Meetings, including on matters relating to the election of members of the Board of Directors, the appointment of auditors, approval of the Company's annual report and financial statements, the distribution of profits, including the payment of dividends, etc.

The authority of and the procedure for convening and holding the General Shareholders' Meeting are established by the Russian laws, the Charter and the Regulations on the General Shareholders' Meeting of MMK.

The Company's internal documents on the procedure for holding the General Shareholders' Meeting outline, among other things, the following options:

- sending voting ballots to respective shareholders to e-mail addresses provided in the register of MMK shareholders and/or providing an online voting form on the website specified in the notice of an upcoming General Shareholders' Meeting
- submitting filled in voting ballots by persons entitled to participate in the General Shareholders' Meeting by e-mail to the address ([shareholder@mmk.ru](mailto:shareholder@mmk.ru)) specified in the notice of an upcoming General Shareholders' Meeting and/or filling in the online voting form on the website specified in the notice of an upcoming General Shareholders' Meeting

- filling in the online voting form on the website during a General Shareholders' Meeting (at an in-person meeting of shareholders to discuss agenda items and decide on matters put to a vote) in cases where the right to participate in the meeting has not been exercised otherwise earlier.

These options have been available since 2017 through free-of-charge access to the online service of MMK's registrar [STATUS online. Shareholder page](#), including its mobile version. Shareholder Page is a secure multifunctional information resource to provide services to shareholders online and enable them to take part in the Company's corporate activities, such as e-voting at General Shareholders' Meetings.

The Company also uses the email address [shareholder@mmk.ru](mailto:shareholder@mmk.ru) to communicate with shareholders, including in preparation for General Shareholders' Meetings.

The Company plans to stream the first Annual General Shareholders' Meeting that will be held in person (if appropriate at external sanctions pressure).

The notice of an upcoming General Shareholders' Meeting and respective information (materials) to be provided to persons entitled to participate in the General Shareholders' Meeting are disclosed in Russian and English on the [Company's website](#) as and when required by the Charter and the Regulations on the General Shareholders' Meeting of MMK, at least 30 days before the date of the General Shareholders' Meeting.



Shareholders (a shareholder) holding in aggregate at least 2% of the Company's voting shares have (has) the right to propose agenda items to be discussed at the Annual General Shareholders' Meeting and nominees to the Board of Directors (up to the number of MMK's Board members) and the sole executive body.

MMK shareholders that are not on the shareholder register also have the right to propose agenda items and nominees by giving appropriate instructions (directives) to the person who keeps record of their rights to shares. Such instructions (directives) are given in accordance with the rules set out in the securities laws of the Russian Federation.

In addition to mandatory information and materials specified by Russian laws, the Company provides shareholders with additional information and materials on agenda items to be discussed at the General Shareholders' Meeting in line with the Corporate Governance Code recommended by the Bank of Russia, including directions on how to reach the venue of the meeting.

The Company's independent registrar functions as the counting commission of the General Shareholders' Meeting.

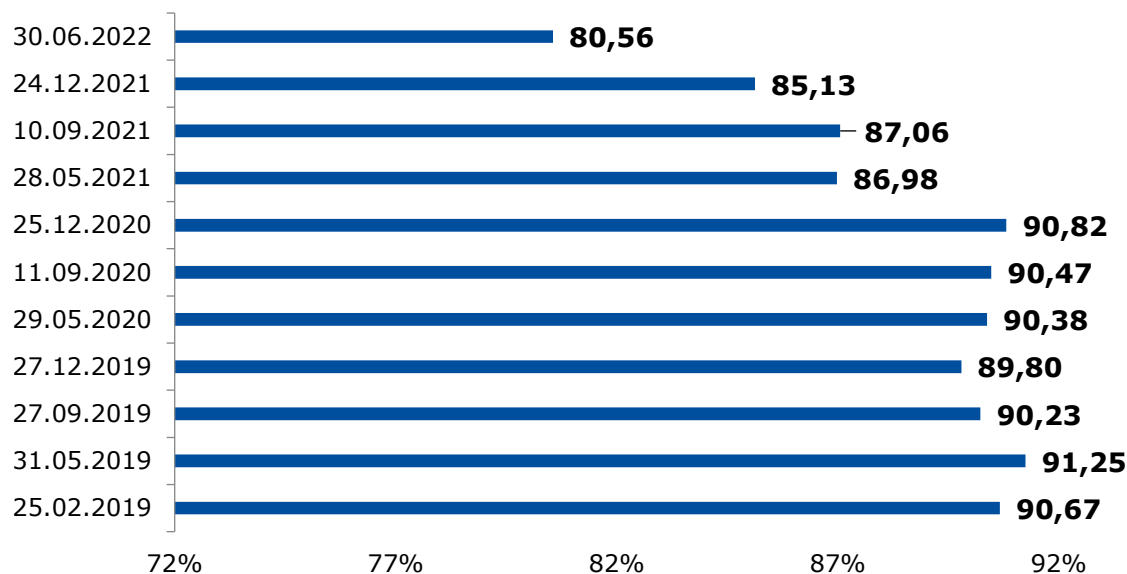
The voting results and decisions taken by the General Shareholders' Meeting are disclosed in line with the Russian laws on the [Company's website](#).

On 30 June 2022, the Annual General Shareholders' Meeting was held with the following agenda:

- 1 Approval of the annual report and annual financial statements of PJSC MMK for the 2021 reporting year
- 2 Distribution of profits, including the payment (announcement) of dividends for the 2021 reporting year
- 3 Election of members to the Board of Directors of PJSC MMK
- 4 Approval of the Auditor of PJSC MMK
- 5 Approval of the amount of remuneration and compensation paid to members of the Board of Directors of PJSC MMK.



### Quorum at General Shareholders' Meetings of MMK, %



## MMK's Board of Directors

MMK's Board of Directors is responsible for the overall supervision of the Company's operations, excluding matters reserved by the law for the General Shareholders' Meeting.

The Board of Directors is responsible for approving and updating the Company's corporate goals, mission statement, strategy, policies, key principles of, and approaches to, risk management and internal controls, sustainability management, oversees the Company's executive bodies and performs other key functions. The Board of Directors is accountable to the Company's shareholders and is elected by the resolution of the General Shareholders' Meeting (by cumulative voting).

The Board's activities are regulated by the Charter and internal documents of MMK available on the [Company's website](#).

Board members have sufficient time to perform their duties, which they acknowledge in a written statement of nominees accepting to stand for election to the Company's Board of Directors.

Board meetings are held on a regular basis, at least once every two months, in accordance with the approved plan.

The most important matters to be resolved by the Board of Directors are addressed at in-person meetings (including those held through video conferences) and are usually reviewed in advance by the Board Committees to facilitate comprehensive discussion and informed decision-making.

**The Chairman of the Board of Directors** arranges the Board's activities and ensures effective work of the Board and its Committees. The Chairman also performs the following functions:

- convenes meetings of the Board of Directors, arranges for timely and proper notification of Board members of convening a Board meeting
- ensures preparation of an agenda for the Board meeting and takes all steps necessary for timely provision of the Board's members with information (materials) required to pass resolutions on agenda items



- chairs Board meetings, ensures compliance with the procedure for holding Board meetings
- ensures that the Board arrives at the most efficient resolutions on agenda items
- enables directors to express their point of view on matters under review, ensures a constructive and friendly atmosphere at Board meetings, facilitates the search for a resolution agreed by Board members in the interests of shareholders
- arranges for keeping minutes of meetings, signs them, and is responsible for their correctness and timeliness
- chairs the General Shareholders' Meeting
- follows up on resolutions of the Board of Directors and the General Shareholders' Meeting
- interacts and keeps in touch with other bodies and employees of the Company in order to obtain in a timely fashion the most complete and reliable information necessary for the Board of Directors to pass resolutions and ensure effective interaction of the said bodies and employees of the Company with each other and with third parties.

## Composition of the Board of Directors

The Board of Directors consists of ten members.

The composition of the Board is well balanced, including in terms of directors' qualifications, experience and diversity, as well as the number of independent directors.

Board members are elected based on required skills in line with the Company's strategic priorities, including its focus on sustainability. Requirements for nominees are considered and determined when implementing succession procedures stipulated by the [Regulations on the Board of Directors of MMK](#).

In 2022, five Board members were recognised as independent, which complies with the requirements of MMK's Charter, the Corporate Governance Code recommended by the Bank of Russia, the Listing Rules of the Moscow Exchange and best practice.

Members of the Board of Directors are considered to be independent if they are sufficiently professional, experienced and capable of adopting their own position and making fair and unbiased judgements, free from any influence of the Company's executive bodies, individual groups of shareholders or other stakeholders. Generally, a nominee (elected Board member) who is related to the Company, to its significant shareholder, significant counterparty or competitor, or to the government, may not be considered independent. Independence criteria, including criteria showing relation to the Company, its significant shareholders, significant counterparty, competitors or government or municipal entities, are determined in accordance with the Corporate Governance Code recommended by the Bank of Russia's Letter No. 06-52/2463 dated 10 April 2014, and the Listing Rules of the Moscow Exchange.

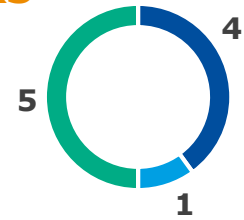




### COMPOSITION OF THE BOARD OF DIRECTORS



- Executive
- Non-executive
- Independent

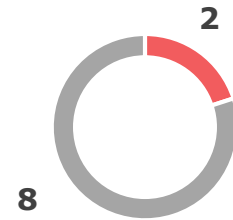


**50%** Independent Directors

### GENDER COMPOSITION OF THE BOARD OF DIRECTORS



- Women
- Men

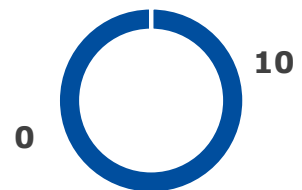


**20%** Women

### CITIZENSHIP OF BOARD MEMBERS



- Russian
- Foreign

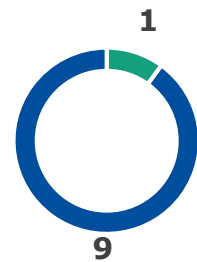


**100%** Russian citizenship

### AGE OF BOARD MEMBERS



- < 50
- > 50

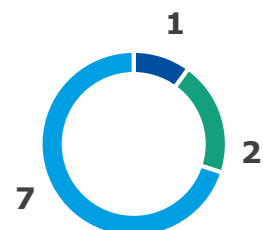


**56.5** average age

### LENGTH OF SERVICE ON THE BOARD OF DIRECTORS



- > 20 years
- 5-9 years
- < 5 years



**4.9 years** average length of service



**Independent directors** play an important role in ensuring efficient performance of the Board of Directors' functions, including protection of shareholder interests. Independent directors on the Board contribute to passing objective resolutions on matters under review, enhancing governance effectiveness and shareholders' and investors' trust in the Company. Their qualifications, experience and constructive criticism enable the Board of Directors to make more informed decisions on agenda items.

Independent directors played a major role in updating the portfolio of strategic initiatives up to 2025, developing KPIs and evaluating the performance of executive bodies, performing an external assessment of the Board of Directors' performance, evaluating the effectiveness of the risk management and internal control system, assessing the Company's efforts to ensure industrial and environmental safety, etc. Independent directors also play an important role in the Board Committees.

The Board of Directors, based on recommendations of the Nomination and Remuneration Committee, assesses compliance of nominees to the Board of Directors with independence criteria and regularly reviews compliance of independent directors with these criteria.

In certain exceptional cases, the Board of Directors may recognise its member (a nominee to the Board of Directors) as independent (compliant with the independence criteria) despite any formal criteria of being related to the Company, its significant shareholder, counterparty or competitor, the government, or a municipal entity, if this relationship does not affect the person's ability to make independent, fair and unbiased judgements.



## Key Competencies of Board Members of PJSC MMK

№	Necessary competencies*	Current Board members										No. of competencies demonstrated		
		1	2	3	4	5	6	7	8	9	10			
<b>Baseline competencies</b>														
1	Strategic planning	V	V	V	V	V	V	V	V	V	V	V	10	
2	Risk management	V	V	V	V	V	V	V	V	V	V		9	
3	Finance and investment	V	V			V	V	V	V	V	V		7	
4	Accounting and audit		V				V	V	V	V			5	
5	Human capital management	V				V	V	V	V	V	V		7	
6	Knowledge of specific sectors and markets where the Company operates	V	V	V	V	V			V				6	
7	Corporate governance	V	V			V	V	V	V	V	V		8	
<b>Specialized competencies, including subject to the Company's long-term development goals</b>														
8	Occupational health and safety	V		V	V	V						V	5	
9	Sustainability (incl. ESG factors)	V		V		V							3	
10	Information technology, cybersecurity		V				V	V	V	V	V		6	
11	Emerging technologies	V		V	V	V			V		V		6	
12	Improvement of production business processes	V	V	V	V	V						V	6	

\*According to the decision of the Board of Directors of PJSC MMK dated 28 December 2021, Minutes No. 8.

## Activities of MMK's Board

The Board of Directors' procedures are set out in the Regulations on the Board of Directors of MMK. Meetings of the Board of Directors are convened by the Chairman of the Board of Directors and held both in person (through video conferences) and in absentia.

### Number of meetings of the Board of Directors (in person and in absentia)

From 1 January 2022 to 31 December 2022, **thirteen meetings** of the Board of Directors were held — six in person and seven in absentia.

### Matters considered by the Board of Directors in 2022

From 1 January 2022 to 31 December 2022, **77** matters were considered.

### Personal attendance of current Board members at meetings of MMK's Board of Directors:

Member of the Board of Directors	Meetings of the Board of Directors		
	Participation in in-person meetings, including written opinions	Participation in absentee voting	Total meetings held in person/ in absentia
1	6	7	13
2	6	7	13
3	6	7	13
4	3	2	5
5	6	7	13
6	3	2	5
7	6	7	13
8	6	7	13
9	3	2	5
10	6	7	13



## Board Focus in 2022

In 2022, the Board of Directors discussed key issues related to our strategy and the requirements of the Federal Law on Joint Stock Companies, MMK's Charter, and the Corporate Governance Code recommended by the Bank of Russia.

Areas of focus	Matters considered	Period covered	Strategic priorities supported
<b>Board leadership and the Company's purpose</b>	<ul style="list-style-type: none"> <li>Progress on MMK's priority focus area "To be the best supplier":               <ul style="list-style-type: none"> <li>implementation of the strategic initiative "Customer focus", consideration of the main development scenarios for the industry and markets in 2023</li> <li>implementation of the strategic initiative "Superior product portfolio".</li> </ul> </li> </ul>	Report for the previous period	<b>To be the best supplier</b>
	<ul style="list-style-type: none"> <li>The progress report on MMK's Environmental Programme implementation in 2022. The MMK Group's Environmental Policy in 2022.</li> <li>Progress on MMK's priority focus area "To be a responsible, sustainable business":               <ul style="list-style-type: none"> <li>implementation of the strategic initiative "Continuous improvement of environmental performance and reduction in CO<sub>2</sub> emissions"</li> <li>implementation of the strategic initiative "Zero injuries".</li> </ul> </li> <li>Progress on MMK's digitalisation projects</li> <li>Main areas of the MMK Group's HR policy</li> </ul>	Report for the previous period	<b>To be a responsible, sustainable business</b>
	<ul style="list-style-type: none"> <li>Progress on MMK's priority focus area "To be a leader in operational excellence":               <ul style="list-style-type: none"> <li>implementation of the strategic initiative "Leadership in production efficiency"</li> <li>implementation of the strategic initiative "Excellence in procurement and supply chain management".</li> </ul> </li> <li>Main areas of the MMK Group's procurement police</li> <li>Progress on MMK's priority focus area "Innovation at the MMK Group in 2021". Implementation of Baby Capex projects</li> </ul>	Report for the previous period	<b>To be a leader in operational excellence</b>





Areas of focus	Matters considered	Period covered	Strategic priorities supported
	<ul style="list-style-type: none"> <li>• Reports by MMK's CEO on the activities of MMK for the respective periods of 2022</li> <li>• Approval of the 2022 report of the Board of Directors on the results of MMK's priority activities</li> <li>• Consideration of the request of a member of MMK's Management Board, member of MMK's Board of Directors pursuant to paragraph 1 of Article 83 of the Federal Law On Joint Stock Companies</li> </ul>	Report for the previous period	<p><b>To be the best supplier</b></p> <p><b>To be a leader in operational excellence</b></p>
	<ul style="list-style-type: none"> <li>• Placement by PJSC MMK of non-convertible uncertified interest-bearing bonds held in collective safe custody, series ZO-2024</li> <li>• Resolution to perform transactions in line with sub-clause 11.18.31 of MMK's Charter</li> <li>• Approval of interested party transactions</li> </ul>	Plans for the future	<p><b>To be a responsible, sustainable business</b></p>
<b>Division of responsibilities</b>	<ul style="list-style-type: none"> <li>• Preliminary approval of MMK's Annual Report for 2021</li> <li>• Approval of MMK's 2021 Sustainability Report</li> </ul>	Report for the previous period	<p><b>To be a responsible, sustainable business</b></p>
	<ul style="list-style-type: none"> <li>• Consideration of matters related to the convocation of and preparation for MMK's Annual General Shareholders' Meeting</li> <li>• Formation of the collective executive body — MMK's Management Board</li> </ul>	Plans for the future	
<b>Composition, succession and evaluation</b>	<ul style="list-style-type: none"> <li>• Resolution to perform a self-evaluation of the Board's performance and that of its members and Committees</li> </ul>	Report for the previous period	<p><b>To be a responsible, sustainable business</b></p>
	<ul style="list-style-type: none"> <li>• Organisation of the activities of MMK's Board of Directors, including matters related to the establishment of the Board's Committees and approval of the work plan for the Board of Directors of MMK for 2022–2023</li> <li>• Consideration of requirements for nominees for the Board of Directors of MMK and relevant assessment criteria</li> </ul>	Plans for the future	



Areas of focus	Matters considered	Period covered	Strategic priorities supported
<b>Audit, risk and internal control</b>	<ul style="list-style-type: none"> <li>Analysis of performance of the comprehensive risk management system and analysis of performance of the internal control system at MMK in 2021</li> <li>Consideration of the internal audit opinion on the reliability and efficiency of MMK's risk management and internal control system in 2021</li> <li>Report on current cybersecurity activities</li> </ul>	Report for the previous period	<b>To be a leader in operational excellence</b>  <b>To be a responsible, sustainable business</b>
	<ul style="list-style-type: none"> <li>Approval of the MMK Group's risk appetite statement</li> <li>Financial and business performance of MMK and the MMK Group for the reporting periods and approval of the financial and business plan (budget) of MMK and the MMK Group for FY 2023</li> <li>Auditor related issues: determining the amount of the auditor's fees and making recommendations to the Annual General Shareholders' Meeting of MMK with respect to selection of the auditor</li> </ul>	Plans for the future	
<b>Remuneration</b>	<ul style="list-style-type: none"> <li>Report on achievement of company-wide KPIs in 2022</li> </ul>	Report for the previous period	<b>To be a responsible, sustainable business</b>
	<ul style="list-style-type: none"> <li>Discussion of the KPI forecast for 2021 and 2022. Approval of company-wide KPIs for 2022 and 2023</li> <li>Recommendations for the Annual General Shareholders' Meeting regarding the remuneration and compensation payable to members of MMK's Board of Directors.</li> </ul>	Plans for the future	



## Committees of The Board of Directors

The Board of Directors has four Committees:

- **The Audit Committee** considers issues related to control over MMK's financial and business activity, including the assessment of whether MMK's auditor is independent and has no conflict of interest, as well as the assessment of the quality of the audit of financial statements and control over the reliability and efficiency of the risk management and internal control system.
- **The Nomination and Remuneration Committee** considers matters related to MMK's priorities for its HR policy, succession planning, professional competence of nominees to the Board of Directors, executive bodies and other key executives, as well as remuneration of members of the Company's governing bodies and other key executives.
- **The Strategic Planning Committee** considers matters of strategic planning, corporate governance, finance and economics, as well as MMK's credit and dividend policies.
- **The Health, Safety and the Environment Committee** considers HSE matters.

The Board Committees were set up to improve the Board's performance, review critical matters within its competence and prepare respective recommendations. The Committees are governed by the [Regulations on the Board of Directors Committees of MMK](#) (approved by the Board of Directors on 24 December 2020).

The Committees submit their performance reports to the Board of Directors no later than 30 business days prior to the date of the Annual General Shareholders' Meeting.

The current composition of the Committees is aligned with the Corporate Governance Code recommended by the Bank of Russia, the Listing Rules of the Moscow Exchange and MMK's internal documents.



## Participation of current Board members in Committee meetings:

Member of the Board of Directors (member of the Committee)	Audit Committee	Nomination and Remuneration Committee	Strategic Planning Committee	Health, Safety and the Environment Committee
1			6/6	
2			6/6	
3	3/6	5/5	6/6	
4	3/6	2/5	3/6	
5	6/6	3/5		2/2
6			3/6	2/2
7	6/6	5/5		
8			3/6	2/2
9			3/6	2/2
10			6/6	

### Audit Committee

The Committee consists only of independent directors.

### Committee functions

The Audit Committee of MMK's Board of Directors considers matters within the Board's competence related to control over the Company's financial and business activity, including the assessment of whether MMK's auditor is independent and has no conflict of interest, the assessment

of the quality of the audit of financial statements and control over the reliability and efficiency of the risk management and internal control system, and prepares recommendations for the Board of Directors to pass resolutions on these matters.

The external auditor, the Head of the Internal Audit Department, functional directors, and the Corporate Secretary of MMK take an active part in the Committee meetings.

### Committee's areas of focus in 2022

Areas of focus	Committee's efforts
External audit and financial statements	<p>During the year, the Committee, together with the audit firm Technologies of Trust – Audit JSC, considered the plan for auditing MMK's financial statements (RAS and IFRS) for 2022, the auditor's reports and draft opinions based on the results of audits of MMK's IFRS consolidated financial statements for relevant reporting periods. In accordance with best corporate governance practices, financial statements are submitted for consideration of the Committee prior to their signing and publication.</p> <p>The Audit Committee met in April to consider the opinion of the Company's auditor on the results of the audit of MMK's RAS and IFRS financial statements for 2021, and the Committee prepared an</p>



Areas of focus	Committee's efforts
	<p>assessment of the quality of the financial statements audit. The Committee's recommendations for selecting the auditor of PJSC MMK and the amount of remuneration for the services of PJSC MMK's auditor in 2022 were provided to the Board of Directors. The Committee participated in the consideration of selection criteria for tender participants to select the auditor for 2023.</p>
<b>Internal audit</b>	<p>The Committee reviewed reports on performance of MMK's Internal Audit Department on a quarterly basis.</p>
<b>Risk management and internal control</b>	<p>The Committee prepared recommendations for the Board of Directors concerning the results of assessing the effectiveness of the comprehensive risk management and internal control system at MMK in 2021 based on the assessment of its maturity level and compliance with the recommendations of the Central Bank of the Russian Federation (Information Letter No. IN-06-28/143 dated 1 October 2020).</p> <p>The Committee reviewed the Internal Audit Department's opinion on the reliability and effectiveness of MMK's risk management and internal control system in 2021 and recommended that it be included in the information (materials) to be provided to persons entitled to attend the MMK's Annual General Shareholders' Meeting in line with paragraph 3 of Article 52 of the Federal Law on Joint-Stock Companies.</p> <p>The results of the risk materialisation monitoring in 2021 were considered and the map of the MMK Group's key risks for 2022 was drawn up.</p> <p>The Committee considered the main results of the measures taken in 2021 to comply with the MMK Group's Code of Ethics that included the self-assessment of the corporate culture by the MMK Group's employees, the Business Ethics training, and the ethics plan for 2022.</p>





## Nomination and Remuneration Committee

The Committee is composed entirely of independent directors.

### Committee functions

The Nomination and Remuneration Committee of MMK's Board of Directors pre-reviews matters within the Board's competence related to the Company's priorities for its HR policy, succession planning and professional competence of

nominees to the Board of Directors, executive bodies and other key executives, as well as remuneration of members of MMK's governing bodies and other key executives, and prepares recommendations for the Board of Directors to pass resolutions on these matters.

The Human Resources Director, the Corporate Secretary of MMK, functional directors and heads of business units take an active part in the Committee meetings.

### Committee's areas of focus in 2022

Areas of focus	Committee's efforts
<b>HR policy, succession planning and professional competence of nominees for the Board of Directors, executive bodies and other key executives</b>	<p>The Committee considered the report on implementation of the MMK Group's priority HR initiatives in 2021 and recommended to approve the MMK Group's HR priorities for 2022.</p> <p>The Committee considered nominees for MMK's Board of Directors proposed by shareholders and, as instructed by the Board of Directors, prepared a recommended list of nominees to choose from when electing the MMK's Board of Directors, determined the requirements for Board nominees and criteria for their assessment in order to strengthen the composition and improve the performance of the Board of Directors.</p> <p>The Committee proposed evaluating the 2022 performance of MMK's Board of Directors, its members and Committees through a self-evaluation.</p>
<b>Building an efficient remuneration system for the Board of Directors, executive bodies and other key executives</b>	<p>The Committee prepared proposals for the Annual General Shareholders' Meeting regarding the remuneration and compensation payable to members of the MMK's Board of Directors.</p> <p>The Committee considered the forecast of achieving company-wide KPIs in 2022, discussed proposals for the list of the company-wide KPIs for 2023 related to the Company's sustainability indicators, and recommended to approve the company-wide KPIs for 2023.</p>



## Strategic Committee

The Committee is composed of three independent directors, three executive directors and one non-executive director.

### Committee functions

The Strategic Planning Committee of MMK's Board of Directors considers matters within the Board's competence

## Planning

related to strategic planning, corporate governance, finance and economics, the Company's credit and dividend policies, and prepares recommendations for the Board of Directors to pass resolutions on these matters.

The Committee meetings are attended by the CEO, functional directors, heads of business units, and the Corporate Secretary of MMK.

## Committee's areas of focus in 2022

Areas of focus	Committee's efforts
<b>Budget planning and financing</b>	The CEO informed the Committee of the performance of MMK and the Group on a quarterly basis. The Committee considered the financial and business performance of MMK and the MMK Group for 2021. The draft financial and business plan (budget) of MMK and the MMK Group for FY 2023 setting the Company's development goals and priorities for 2023 and describing high-stress development scenarios was submitted to the Committee.
<b>Strategic management</b>	In accordance with MMK's focus areas in 2022, the Committee considered the implementation of the strategic initiatives "Leadership in production efficiency", "Excellence in procurement and supply chain management", "Customer focus", "Superior product portfolio", reviewed reports for 2021 on key aspects of investor relations, procurement, innovation, marketing, sustainable development and implementation of digitalisation projects.
<b>Corporate governance</b>	<p>In line with the its functions, the Committee pre-reviewed the matters related to the preparation and conduct of the Annual General Shareholders' Meeting and recommended the Board of Directors to:</p> <ul style="list-style-type: none"> <li>• approve the annual report of MMK for 2021 (together with the annual financial statements) on a preliminary basis</li> <li>• approve the 2021 report of the Board of Directors on the results of MMK's priority activities</li> <li>• approve the distribution of profits for the 2021 reporting year.</li> </ul> <p>The Committee recommended including MMK's draft report on compliance with the principles and recommendations of the Corporate Governance Code for 2021 in the annual report.</p> <p>In accordance with best corporate governance practices, the Committee discusses key changes in the regulation and development of Russian and global corporate governance practices.</p>



## Health, Safety And The Environment Committee

The Committee comprises four members of the Board of Directors, half of which are independent.

### Committee functions

The Health, Safety and the Environment Committee of MMK's Board of Directors

considers health, safety and environmental matters within the Board's competence and prepares recommendations for the Board of Directors to pass resolutions on these matters.

Functional directors and directors of the MMK Group companies, heads of business units, and the Corporate Secretary of MMK attend the Committee meetings.

### Committee's areas of focus in 2022

Areas of focus	Committee's efforts
<b>Occupational health and safety</b>	<p>The Committee considered MMK's occupational health and safety performance for 2021, including the occupational injury rate, measures aimed at identifying and preventing hazardous actions, eliminating hazardous working conditions, and taking measures under the programme to implement the production safety video analytics system at PJSC MMK.</p> <p>In September, the Committee considered the implementation of the "Zero injuries" strategic initiative that provides for measures up to 2025, including those to strengthen the safety culture among the MMK Group's employees, to develop automated safety systems and to implement technical measures aimed at reducing the risk of accidents.</p>
<b>Environment</b>	<p>The Company's key environmental focus is the reduction of emissions at industrial facilities.</p> <p>MMK sets ambitious targets to reduce CO<sub>2</sub> emissions. The Committee participates in discussions on the application of the best available steel production technologies aimed at reducing emissions of pollutants, decarbonisation of metallurgical production and transition to climate neutrality.</p> <p>The Committee monitors key environmental performance indicators of MMK. During the year, the Committee considered the implementation of the strategic initiative "Continuous improvement of environmental performance and reduction in CO<sub>2</sub> emissions" — the programme of PJSC MMK aimed at reducing CO<sub>2</sub> emissions up to 2025 — and compliance with the schedule of environmental safety activities for 2021–2022, development of the air monitoring system, automation of emission calculations, environmental measures planned for 2023.</p>



## MMK Executive Bodies

MMK has two executive bodies — the Management Board is the collective executive body, and the CEO is the sole executive body.

They are governed by the [Regulations on the Collective Executive Body — the Management Board](#), and the [Regulations on the Sole Executive Body — the CEO](#) of MMK.

The executive bodies regularly report at the Board of Directors' meetings on their activities as per the plan approved by the Board of Directors.

The remit of the Company's governing bodies is set out in the Charter of MMK.

### MMK Management Board

The collective executive body — the Management Board — manages the Company's day-to-day operations within its remit specified in MMK's Charter and the Regulations on the Collective Executive Body — the Management Board approved by the Annual General Shareholders' Meeting.

The Management Board reports to the Board of Directors and the General Shareholders' Meeting and is responsible for:

- consideration of the financial and economic plan (budget) of MMK, the MMK Group and non-profit organisations (private institutions) for the next financial year; forecasting the MMK Group's financial and economic indicators
- analysis of the implementation of the financial and economic plan (budget) of MMK, the MMK Group and non-profit organisations (private institutions) and the MMK Group's financial and economic indicators
- consideration of interim (monthly, quarterly, semi-annual) and annual reports of sole executive bodies (directors) of the Group companies and organisations on operational, economic, financial and business performance of MMK, the MMK Group and non-profit organisations (private institutions)
- adoption of resolutions on MMK changing its shareholding, acquiring or disposing of shares in other organisations (except for those specified in paragraph 1.18 of Article 48 of the Russian Federal Law on Joint Stock Companies)
- approval of MMK representatives at the Group companies, companies beyond the MMK Group in which MMK holds shares and at MMK's private institutions on the recommendation of MMK's CEO
- approval of directives for MMK representatives at the Group companies, companies beyond the MMK Group in which MMK holds shares and MMK's private institutions for adoption of resolutions at general meetings of shareholders (participants, members, etc.) and by the Board of Directors on approval of charters (amendments and addenda to charters) of organisations, setting up and eliminating governing bodies of organisations, reorganisation, liquidation, changing the shareholding, acquiring or disposing of shares in other organisations, approving (performing) transactions in line with Article 79 of the Federal Law on Joint Stock Companies and Article 45 of the Federal Law on Limited Liability Companies, except for transactions with MMK
- approval of the work plan of MMK's Management Board.

In 2022, the Management Board held 33 meetings and reviewed the following matters:

- analysis of the MMK Group's financial and business performance
- key indicators of the MMK Group's financial and economic plan (budget)



- reports by the MMK Group companies on their operational, economic, financial and business performance
- business processes across the MMK Group by business area
- implementation of strategic initiatives
- changing the shareholding, acquiring and disposing of shares in other organisations
- approval of directives for MMK representatives at the Group companies
- approval of the work plan of MMK's Management Board.

## Sole executive body

The Company's sole executive body is the CEO who acts on behalf of the Company and represents its interests in accordance with the Charter and the Regulations on the Sole Executive Body — the CEO.

The CEO manages the Company's day-to-day operations and regularly reports to the Board of Directors in accordance with the approved schedule of its meetings.

The CEO is elected (appointed) by the General Shareholders' Meeting for four years and may be reelected (reappointed) for an unlimited number of terms. If the CEO is not reelected (reappointed) and the sole executive body's functions are not

passed to the management company at the date when the four-year period from the beginning of the CEO's office expires, the CEO's office term is extended to the Annual General Shareholders' Meeting.

## Corporate Secretary

The Corporate Secretary ensures efficient ongoing communication with shareholders, coordinates MMK's efforts to protect shareholder rights and interests, and supports the efficient performance of the General Shareholders' Meeting, the Board of Directors and its Committees.

The Corporate Secretary is appointed on an annual basis and can be removed by the CEO based on the resolution of the Board of Directors.

The Corporate Secretary's functions, rights, duties and responsibilities are outlined in the Regulations on the Corporate Secretary of MMK approved by the Board of Directors.

The Corporate Secretary is guided by the Russian laws, MMK's Charter, internal documents, resolutions of the General Shareholders' Meeting and the Board of Directors.

Victor Sedov has been the Corporate Secretary of MMK since 2021.

<b>Name</b>	<b>Victor Sedov</b>
<b>Background</b>	Mr. Sedov has been working at the legal service of MMK since 1997
<b>Education and qualifications</b>	Nosov Magnitogorsk Institute of Mining and Metallurgy, 1987, Electrical Engineer Ural Academy of Public Administration, 1996, Lawyer Russian School of Private Law, 2002, Master of Private Law





# Remuneration of The Board Members and The Management

## Remuneration of the Board members

The amount of remuneration to be paid to members of the Board of Directors is approved annually by the Company's General Shareholders' Meeting in accordance with the recommendations of the Board of Directors. In determining the remuneration, the Company is guided by the need to offer sufficient motivation to retain high-skilled specialists as well as by the interests of shareholders and other stakeholders.

All remuneration payments are made in accordance with the Regulation on the Procedure of Remuneration and Compensation of Expenses of the Members of the Board of Directors of PJSC MMK. The Regulation sets out the remuneration amount and the payment terms and procedure. During the reporting period, the Company's Board of Directors comprised three categories of directors: executive directors, non-executive directors and independent directors. Remuneration for membership of the Board of Directors is paid only to independent and non-executive directors. The annual remuneration amount is fixed in contracts concluded with independent and non-executive members of the Board of Directors and reflects the expected time and effort necessary to prepare for and participate in the Board meetings.

The established annual remuneration is paid to the Board members on a monthly basis via bank transfer for the period when they perform their duties. In addition, Board members are compensated for their documented expenses. The compensation covers the following expenses:

- travelling to meeting venues and back home
- accommodation for the duration of meetings
- communication and postal services.

The Company's Annual General Shareholders' Meeting held on 30 June 2022 approved the amount of remuneration and compensation to members of the Board of Directors for the performance of their duties in 2022–2023 in the total amount of RUB 120 million.

## Remuneration of the Management Board members

MMK pays no additional remuneration to members of the Management Board for performing their duties, or reimbursement of related expenses. Members of the Management Board are paid salaries for the performance of their official duties at MMK, which consist of fixed and variable parts. The variable part is based on the Company's performance and personal contribution to this performance by members of the Management Board. Members of the Management Board hold shares in MMK, which drives alignment of their interests and their commitment to achieving set targets.

Remuneration of MMK's CEO includes a monthly salary and an annual bonus. Its amount reflects the CEO's qualifications and contribution to the achievement of the Company's financial results. The CEO has the right to receive the bonus, which is paid at the end of the year, in accordance with the decision of the Board of Directors' Nomination and Remuneration Committee and the Board of Directors. According to the current system of KPIs, the amount of the CEO's bonus depends on the achievement of performance indicators. Actual performance is measured against the previous financial year.



The KPIs for members of the Management Board have been developed taking into account their individual responsibility and efficiency. The KPIs for the CEO include the Company's financial and production results, operational efficiency, social responsibility and occupational safety indicators, including achievement of zero fatalities. The system for calculating the annual bonus for the Company's CEO and other members of the Management Board has been developed for these indicators.

The Company deems the remuneration payable to its top management to be sufficient to attract, motivate and retain competent and skilled specialists and to ensure that they exercise their rights and fulfil their duties in good faith in the best interests of MMK.



# Report of MMK's Board of Directors

## Corporate governance

Please see the description of the Group's corporate governance structure and rules on page 90 of this Integrated Annual Report.

## Financial statements

The Board of Directors believes that the information disclosed on page 123 of the Integrated Annual Report provides shareholders with the data necessary to assess the Company's performance, business model and strategy.

## Election and succession policy of MMK's Board of Directors

In accordance with the Federal Law on Joint Stock Companies, members of the Board of Directors are elected to the Board annually by the General Shareholders' Meeting and may be reelected an unlimited number of times. Only an individual may be a member of the Board of Directors.

According to the effective laws of the Russian Federation and the Company's internal documents, MMK takes measures to ensure the succession of Board members, to nominate candidates to the Board of Directors whose personal and professional qualities and reputation convincingly demonstrate that they will act in the interests of the Company and its shareholders, and to nominate candidates for the Board of Directors who meet the criteria for independent directors.

The Board of Directors of MMK, on the recommendation of the Nomination and Remuneration Committee, annually:

- analyses the current composition of MMK's Board of Directors and the competencies necessary to implement MMK's strategy, meet internal and external challenges facing MMK, ensure the succession of members of the Board of Directors

- assesses compliance of nominees for the Board of Directors with independence criteria and reviews compliance of independent directors with independence criteria on a regular basis. Information on compliance of Board members with independence criteria is disclosed in the Integrated Annual Report and on the [Company's website](#).

To ensure compliance with the Code of Corporate Governance and make decisions to elect Board members more justified and efficient, the Board of Directors, on the recommendation of the Nomination and Remuneration Committee, issues recommendations with respect to voting on this agenda item at the General Shareholders' Meeting and ensures that this information is communicated to MMK shareholders.

## Disclosure of information that may affect the duties of members of the governing bodies

In line with effective laws of the Russian Federation, members of the Board of Directors (and members of the Management Board) notify the Company of:

- any circumstances that may lead to a Board member being declared interested in completion of a transaction by the Company, by completing a notice in the form approved by the Bank of Russia
- any other information that may affect the performance of the duties of a member of the Board of Directors (and a member of the Management Board), by completing a questionnaire of a member of MMK's governing body
- any circumstances that lead to a Board member losing independence. Information on a Board member losing the status of an independent director is disclosed on the website.



## Indemnification of directors

MMK, at its own expense, arranges for insurance of the liability of members of the Board of Directors for obligations arising as a result of the Company's losses caused by actions (inaction) of members of the Board of Directors during the period when they exercise their rights and perform their duties.

## Competence of the Board of Directors and functions of the Board Committees

Matters to be resolved by the Board of Directors are given in [MMK's Charter](#).

The functions of the Board of Directors' Committees are set out in the [Regulations on the Board of Directors' Committees of MMK](#).

The competence of the Board of Directors and the functions of its Committees are updated when the Russian laws are amended and if necessary.

## Share capital structure

There are no special restrictions on the size of the shareholding or the share transfer other than those stipulated by the Russian laws.

The Board of Directors is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or voting rights.

As at 31 December 2022, the MMK Group companies did not hold treasury shares.

## Dividends

The Annual General Shareholders' Meeting of PJSC MMK held on 30 June 2022 decided not to pay dividends for the 2021 reporting year.

## Annual General Shareholders' Meeting

The Annual General Shareholders' Meeting of MMK will be held on 26 May 2023. Taking into account all aspects considered by the Board of Directors during the year, the Board of Directors has given its preliminary approval for MMK's Integrated Annual Report for 2022.



## Internal Audit

Reports on the performance of MMK's Internal Audit Department were reviewed quarterly.

### Internal Audit Department

MMK has established an Internal Audit Department to provide informed, independent and objective assurances and advice designed to add value and improve performance.

The Head of the Internal Audit Department functionally reports to the Audit Committee of MMK's Board of Directors and administratively reports to MMK's CEO, which ensures sufficient independence to perform internal audit functions.

Internal audit helps MMK to achieve its goals by bringing a systematic, disciplined approach that evaluates and improves the effectiveness of risk management, control and corporate governance processes.

### The Internal Audit Department's main functions are to:

- perform independent and objective assessment of the reliability and effectiveness of MMK's internal control system in line with the risk-based approach
- develop recommendations to eliminate gaps identified during audits and oversee their implementation
- advise MMK's management on the establishment and functioning of the internal control system.

The effectiveness of the internal control system is assessed based on continuous monitoring of efficient and reasonable use of resources, asset integrity and compliance with the laws and MMK's internal regulations, as well as the results of measures taken to eliminate violations and gaps and improve the internal control system.

Audits to check the efficiency of the risk management system cover: the completeness and correctness of risk identification and assessment by MMK's management (across all management levels); the effectiveness of control procedures and other risk management measures; analysis of information about materialised risks.

The Head of the Internal Audit Department takes part in the Audit Committee meetings on a quarterly basis to inform the Committee on:

- the proposed annual work plan of the Internal Audit Department that takes into account prioritised risk-focused key business processes and controls, as well as the macroeconomic environment and available resources
- the progress on the plan (including information on significant risks, violations/gaps, results and the status of implementation of the Internal Audit Department's recommendations and proposals) and challenges faced by the Department
- the assessment of the adequacy and maturity of the elements of MMK's internal control and risk management systems for effective risk management.

The Internal Audit Department is guided by:

- International Standards for the Professional Practice of Internal Auditing
- The Code of Ethics for internal auditors
- MMK's internal regulations on internal audit.





# Internal Control and Risk Management

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## Auditor

At present, the auditor of MMK's individual and consolidated financial statements is the audit firm Technologies of Trust — Audit (formerly PricewaterhouseCoopers Audit). The Technologies of Trust — Audit firm was selected on a competitive basis and complies with the requirements of the Russian laws imposed on audit firms in terms of independence and absence of a conflict of interest. The Company has developed a list of procedures to ensure compliance with independence and conflict of interest requirements. The firm's membership of the Self-Regulatory Organisation of Auditors also guarantees compliance with independence requirements.

This firm has been performing audits starting from the 2015 financial statements. In 2020, the firm rotated the audit partner, which complies with professional standards and best practices of corporate governance. In 2022, the audit firm left the PricewaterhouseCoopers international network and changed its name.



# Information for Investors



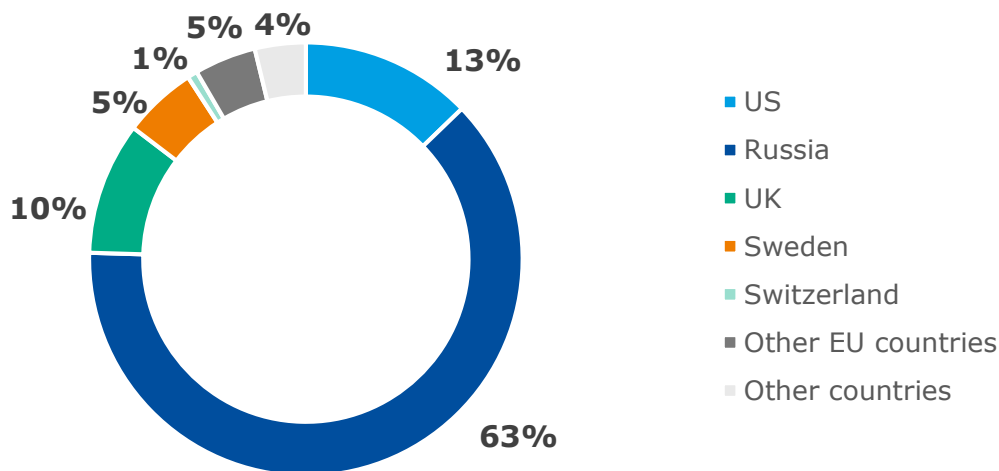
**We strive to maintain a proactive and open dialogue with all representatives of the investment community**

## Share Capital Flow During the Year

MMK's authorised capital comprises the cost of 11,174,330,000 ordinary registered shares with a par value of RUB 1 each. All shares are outstanding.

As at 6 June 2022 (the record date for the 30 June 2022 Annual General Meeting), the Company had 488,306 shareholders.

### Geographical distribution of MMK shareholders in 2022<sup>27</sup>



### Share capital structure

In 2022, PJSC MMK, under sanctions pressure and in line with Article 92.2 of the Federal Law on Joint Stock Companies and Decree of the Russian Government No. 400 dated 04 April 2019, exercised its right granted by Decree of the Russian Government No. 351 dated 12 March 2022 "On the specifics of disclosure and provision of information subject to disclosure and provision in accordance with the requirements of the Federal Law

on Joint Stock Companies and the Federal Law on the Securities Market and specifics of disclosure of insider information in accordance with the requirements of the Federal Law on Counteracting the Illegitimate Use of Insider Information and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation" and did not disclose or provide to third parties part of information, including information on its ownership structure, to avoid restrictive measures.

<sup>27</sup> As a percentage of the free float, including retail investors, as at January 2022.



## Report on The Payment of Declared (Accrued) Dividends on MMK's Shares

The current [Regulations on the Dividend Policy of MMK](#) were approved by the Board of Directors of MMK on 13 November 2019 (Minutes No. 8).

MMK's dividend policy is based on the balance between shareholder interests and the Company's demand for further development and technological upgrade.

In making recommendations for the dividend amount, the Board of Directors is guided by the following principles:

- As a rule, the dividend payment will be at least 100% of the free cash flow if the net debt to EBITDA ratio is < 1.
- As a rule, the dividend payment will be at least 50% of the free cash flow if the net debt to EBITDA ratio is > 1.

MMK pays (declares) dividends annually and aims to pay out dividends on a quarterly basis provided that its current financial position is stable.

When recommending the dividend amount, the Board of Directors may also use other indicators in addition to the free cash flow calculated on the basis of MMK's IFRS consolidated financial statements. Such indicators may include the net profit as reported in MMK's consolidated financial statements compiled in line with the International Financial Reporting Standards (IFRS) or the net profit as reported in MMK's financial statements prepared in accordance with the Russian Accounting Standards.

On 30 June 2022, the Annual General Meeting resolved not to pay dividends based on the performance for the reporting 2021 year (the fourth quarter) and there were no other shareholders' meetings or resolutions on dividends during 2022.

### The amount of MMK's dividend payments for the last five years<sup>28</sup>

Year for which dividends were declared	Dividend per share, RUB	Dividends accrued	
<b>2017</b> (H1, 9M and FY)	2.786	31,132	RUB m
		521	USD m
<b>2018</b> (Q1, H1, 9M and FY)	5.902	65,951	RUB m
		1,007	USD m
<b>2019</b> (Q1, H1, 9M and FY)	5.335	59,615	RUB m
		911	USD m
<b>2020</b> (H1, 9M and FY)	3.943	44,060	RUB m
		591	USD m
<b>2021</b> (Q1, H1 and 9M)	7.988	89,261	RUB m
		1,218	USD m

<sup>28</sup> Dividends accrued for a calendar year in accordance with the dividend policy.



## Trading MMK's Shares and Global Depositary Receipts (GDRs)

MMK's shares are traded on the Moscow Exchange (MOEX).

On 27 June 2022, the Financial Conduct Authority (FCA) notified MMK of the removal of its global depositary receipts from the Official List effective from 27 June 2022.

According to the FCA's notification, the listing of the following securities was cancelled:

- Regulation S GDRs (ISIN US5591892048), each GDR representing 13 ordinary shares in MMK according to the terms of the Depositary Agreement
- Rule 144A GDRs (ISIN US5591891057), each GDR representing 13 ordinary shares in MMK according to the terms of the Depositary Agreement.

The listing was cancelled because of the termination of MMK's depositary receipts programme (the "DR Programme") due to the changes in the Russian laws requiring Russian issuers to terminate the circulation of depositary receipts representing companies' shares outside the Russian Federation, and MMK has notified its GDR holders thereof in due course.

On 25 May 2022, MMK notified Citibank, N.A. of the termination of the Depositary Agreement in accordance with its terms and conditions and instructed Citibank, N.A. to inform the GDR holders of the

termination of the DR Programme and to take all necessary measures specified in the Depositary Agreement. To date, MMK has not received any formal notifications from Citibank, N.A. regarding the termination of the DR Programme. According to the notification that Citibank, N.A. published on its website<sup>29</sup>, the DR Programme was terminated on 30 October 2022.

As at 31 December 2022, the number of shares previously represented by GDRs was around 1.36% of MMK's share capital.

### Stock exchanges where MMK's shares and GDRs are traded

Stock exchange	Issuer code
MOEX	MAGN

### Identification numbers of MMK's securities

<b>CUSIP<sup>30</sup>:</b>	
• <b>MOEX</b>	X5171A103
<b>ISIN<sup>31</sup>:</b>	
• <b>MOEX</b>	RU0009084396

<sup>29</sup> <https://depositaryreceipts.citi.com/adr/common/file.aspx?id=6071>.

<sup>30</sup> CUSIP (Committee on Unified Security Identification Procedures) is an identification number assigned to shares for the purpose of facilitating clearing and settlement of trades.

<sup>31</sup> ISIN (International Securities Identification Number) is an international share identification code



**Share prices and trading volumes on the Moscow Exchange in 2022, RUB million, RUB/share**

Sources: MOEX, Bloomberg

**Summary information on MMK's ordinary shares and GDRs**

	Moscow Exchange, RUB/share	
	2021	2022
<b>Yearly high</b>	79.78	71.40
<b>Yearly low</b>	49.14	22.62
<b>Year-end price</b>	69.65	32.87
<b>Trading volume, million shares</b>	11,238	5,682

**MMK's credit ratings <sup>32</sup>**

During 2022, amid geopolitical tension and under sanctions pressure, the leading credit rating agencies Fitch, Moody's, Standard and Poor's ceased their operations in Russia and withdrew their long-term issuer credit ratings, including that of MMK.

In November 2022, the Analytical Credit Rating Agency (ACRA) assigned AA+ (RU) credit rating with a stable outlook to MMK.

MMK's credit rating is based on its strong market position, diversified product portfolio and the Company's leadership and exclusive competencies in the premium segment that accounts for a significant share in the sales structure.

	ACRA
<b>Credit rating</b>	AA+(RU)
<b>Outlook</b>	Stable
<b>Last rating action</b>	10 November 2022

<sup>32</sup> As at 31 December 2022.



## MMK's index membership

Index name	Обозначение	Вес, %
<b>Moscow Exchange indices<sup>33</sup></b>		
Moscow Exchange Index and RTS Index	IMOEX, RTSI	0.8
Metals and Mining Index	MOEXMM, RTSmm	5.82
Broad Market Index	MICEXBMI, RUBMI	0.62
MOEX 10 Index	MOEX10	10.15
Responsibility and Transparency Index	MRRT	0.88
Sustainability Vector Index	MRSV	6.05
MOEX Shariah Index	MXSHAR	5.37

## Analytical coverage

Analysts from leading Russian banks and investment companies, including Sberbank CIB, Renaissance Capital, BCS, Veles, provide regular coverage of MMK's operations. For more details, see the [Investor page](#) on the Company's website.

## Information on the Company's Registrar

MMK's shareholder register is maintained by JSC Registrar Company STATUS (perpetual license No. 10-000-1-00304 issued by the Russian Federal Financial Markets Service on 12 March 2004).

### The Registrar's registered office is located at:

Ring Park Business Centre, 23 Novokhokhlovskaya St., Bld. 1, Moscow, 109052, Russian Federation.

Tel.: +7 (495) 280 04 87

E-mail: [office@rostatus.ru](mailto:office@rostatus.ru)

### Magnitogorsk Branch of STATUS:

212 Karla Marksa Avenue, Magnitogorsk, 455008, Russian Federation.

Tel.: +7 (3519) 25 60 22,  
+7 (3519) 25 60 23

<sup>33</sup> По состоянию на 31.12.2022.



## Investor Relations

One of the Company's top priorities is to ensure open communication with investors and shareholders. The Company's management maintains a dialogue with the investment community by:

- participating in international conferences and forums, online and offline
- holding presentations, conference calls and webcasts to discuss the market situation and the Company's performance for the reporting period
- holding regular face-to-face and online meetings with investors and analysts
- organizing site visits
- holding the Investor Day.

During 2022, the Company held more than 400 face-to-face and online meetings with investors. As the beneficial owner of PJSC MMK was included in the sanctions lists of a number of jurisdictions, the Company was technically unable to make coupon payments on Eurobonds issued in June 2019 with a principal amount of USD 500 million, which shifted the focus of relations with various categories of investors towards investors in debt instruments. The main challenges facing the investor relations (IR) team were to:

- update the current base of Eurobond holders given the inability to use traditional solutions in this area
- ensure crisis management communication with Eurobond holders
- identify and implement solutions to restore a large number of infrastructure elements of Eurobond transactions
- organize the voting of Eurobond holders on amending the terms of the issue-related documentation
- respond promptly to changes in the Russian laws.

The well-coordinated and diligent work of the MMK team resulted in the issuance of

replacement bonds at the end of 2022 and thus payments to more than 60% of investors holding Eurobonds were restored.

Moreover, during the year the Company maintained its relations with retail investors and analysts from investment banks covering the Company's activities.

### Board oversight

The Board of Directors receives information on communication with the investors covering key investor meetings and activities, shareholder and investor feedback.

### Information disclosure

The Company ensures that any material information is communicated to all stakeholders at the same time.

### Main information disclosure channels

**Interfax** — an information disclosure server. The Company publishes information in accordance with the laws (the Law on the Securities Market and the Law on Joint Stock Companies).

**The Magnitogorsk Metal newspaper.** In accordance with the Charter, the Company informs the public of its operations through mass media — the Magnitogorsk Metal newspaper and the TV-IN TV channel.

**Corporate website.** The Company regularly publishes updates on its activities and press releases about important corporate events, as well as its financial and operating performance. In 2021, the design of the website was updated and the Investor page was improved. The Company publishes its Annual Report on its website every year.

For more details, see the [Investor page](#) on the Company's website.



**E-mail.** The Company keeps investors up to date on its activities by sending out:

- Press releases on important corporate events and its financial and operating performance
- Metals and raw materials market overviews prepared by the Company's strategy and IR teams.

You can contact our investor relations team by e-mail at [ir@mmk.ru](mailto:ir@mmk.ru).

**Telegram channel.** MMK has launched its official channel to provide timely and accurate information on its investor relations and public relations activities (review of financial and operating performance, summaries of conference calls with the top management, announcements of upcoming events and conferences for investors, videos, official comments, etc.) ([https://tlgg.ru/MMK\\_Official](https://tlgg.ru/MMK_Official)).

**Blogs on thematic websites.** The Company's corporate blogs on Smart-lab website and Tinkoff Pulse portal have been launched to provide retail investors with timely and accurate information on the Company's IR<sup>34</sup> and PR<sup>35</sup> activities. In addition, we publish educational content related to the metals industry on these resources to improve the knowledge of professional market participants and to train new ones.

**Social media.** MMK also uses social media as an additional channel of information disclosure. Corporate and industry news and publications in Russian and foreign media can be found on our official pages on:

- [Twitter](#)
- [Yandex Zen](#)
- [Rutube](#)
- [LinkedIn](#)
- [Smart-lab](#)
- [Tinkoff Pulse](#).

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<sup>34</sup> Investor relations.

<sup>35</sup> Public relations.



# Appendices





# Report on MMK's compliance with the principles and recommendations of the Corporate Governance Code

**The assessment methodology is based on the Recommendations on Preparation of the Report on Compliance with the Corporate Governance Code (appendix to Letter of the Bank of Russia No. IN-06-28/102 dated 27.12.2021)**

This report on the Company's compliance with the principles and recommendations of the Corporate Governance Code was reviewed by MMK Board of Directors at its meeting held on 20 April 2023 (Minutes No. 10 of 20 April 2023).

The Board of Directors certifies that all data in this Report contain full and reliable information on compliance by the Company with the principles and recommendations of the Corporate Governance Code for the 2022 reporting year.

No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
<b>1.1</b>	<b>The Company shall ensure equal and fair treatment of all shareholders in exercising their corporate governance rights.</b>			
1.1.1	The Company ensures the most favourable conditions for its shareholders to participate in the general meeting, develop an informed position on agenda items of the general meeting, coordinate their actions, and voice their opinions on items considered.	<p>1. The Company provides accessible means of communication with the company, such as a hotline, email or online forum, to enable shareholders to express their opinions and send questions on the agenda in preparation for the general meeting.</p> <p>The Company arranged the above means of communication and provided them to its shareholders in preparation for each general meeting held in the reporting period.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
1.1.2	The procedure for giving notice of and providing relevant materials for the general meeting enables shareholders to properly	<p>1. In the reporting period, the notice of a general meeting of shareholders is posted (published) on the Company's website at least 30 days before the date of the general</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
	prepare for attending the general meeting.	<p>meeting, unless the law requires a longer term.</p> <p>2. The notice of an upcoming meeting specifies the documents required for admission.</p> <p>3. Shareholders were given access to the information on who proposed the agenda items and nominees to the company's Board of Directors and the audit commission (if the Company's Charter provides for its formation).</p>	<input type="checkbox"/> none	
1.1.3	In preparing for and holding of the general meeting, shareholders were able to receive information on the meeting and related materials, put questions to the Company's executive bodies and the Board of Directors and communicate with each other in an unobstructed and timely manner.	<p>1. In the reporting period, shareholders were given an opportunity to put questions to members of executive bodies and members of the Board of Directors in advance of and during the annual general meeting.</p> <p>2. The position of the Board of Directors (including dissenting opinions entered in the minutes, if any) on each item on the agenda of general meetings held in the reporting period was included in the materials for the general shareholders' meeting.</p> <p>3. The Company gave duly authorised shareholders access to the list of persons entitled to participate in the general meeting, as from the date when the Company received the list, for all general meetings held in the reporting period.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	<p><b>Comments on clause 1:</b></p> <p>In practice, these recommendations are observed when holding general shareholders' meetings in the form of a meeting (joint attendance of shareholders).</p> <p>In 2022, the meeting was held in absentia.</p>
1.1.4	Shareholders did not encounter unjustified difficulties in exercising their right to request that a general meeting be convened, to propose nominees to the company's governing bodies	<p>1. The Company's Charter establishes a period for the shareholders to propose items for inclusion in the agenda of the annual general meeting – at least 60 days after the end of the relevant calendar year.</p> <p>2. In the reporting period, the Company did not reject any proposals for the agenda or</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
	and to make proposals for the agenda of the general meeting.	nominees to the Company's governing bodies due to misprints or other insignificant flaws in the shareholder's proposal.		
1.1.5	Each shareholder was able to freely exercise their voting right in the simplest and most convenient way.	1. The Company's Charter allows completing the electronic form of the ballot on the website specified in the notice of the general meeting of shareholders.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
1.1.6	The procedure for holding a general meeting set by the company provides equal opportunities for all persons attending the meeting to voice their opinions and ask questions.	1. During general shareholders' meetings held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on and discussion of the agenda items, and the shareholders were given the opportunity to voice their opinion and ask questions on the agenda. 2. The Company invited nominees for the management and supervisory bodies of the Company and took all necessary measures to ensure their participation in the general meeting of shareholders where their nominations were put to the vote. The nominees for the management and supervisory bodies of the Company present at the general shareholders' meeting were available to answer the shareholders' questions. 3. The sole executive body, the person responsible for keeping accounts, the Chairman or other members of the Audit	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	<b>Comments:</b> In practice, these recommendations are observed when holding general shareholders' meetings in the form of a meeting (joint attendance of shareholders). In 2022, the meeting was held in absentia.



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
		<p>Committee of the Board of Directors were available to answer the shareholders' questions at the general shareholders' meetings held in the reporting period.</p> <p>4. In the reporting period, the Company used telecommunications to provide remote access to the shareholders for participation in the general meetings or the Board of Directors made a reasoned decision that there was no need to use (no possibility of using) such telecommunications in the reporting period.</p>		
<b>1.2</b>	<b>Shareholders have equal and fair rights to share profits of the company by receiving dividends.</b>			
1.2.1	The Company has developed and put in place a transparent and clear mechanism for determining the dividend amount and paying dividends.	<p>1. The Company's dividend policy is approved by the Board of Directors and disclosed on the Company's website.</p> <p>2. If the dividend policy of the Company that prepares consolidated financial statements uses reporting figures to determine the dividend amount, then relevant provisions of the dividend policy take into account the consolidated financial statements.</p> <p>3. The justification for the proposed distribution of net profits, including for the payment of dividends and for the Company's own needs, and assessment of its consistency with the dividend policy adopted by the Company, together with explanations and economic justification of the need to use a certain part of net profits for the company's own needs in the reporting period, were included in the materials for the general shareholders' meeting at which the distribution of profits</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
		(including the payment (declaration) of dividends) was on the agenda.		
1.2.2	The Company does not resolve to pay out dividends if such payout, while formally compliant with the law, is economically unjustified and may lead to a false representation of the Company's performance.	1. The Company's Regulation on the dividend policy, in addition to the restrictions established by the law, specifies the financial and economic circumstances under which the Company shall not make the decision to pay dividends.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
1.2.3	The Company does not allow the dividend rights of its existing shareholders to be impaired.	1. In the reporting period, the Company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
1.2.4	The Company makes every effort to prevent its shareholders profiting (gaining) from the Company through any means other than dividends and liquidation value.	1 In the reporting period, no other means were used by the persons controlling the Company to receive profit (gain) at the expense of the Company other than dividends (for example, through transfer pricing, unjustified provision of overpriced services by the controlling person to the Company, internal loans to the controlling person and/or its controlled persons replacing dividends).	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	





No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
<b>1.3</b>	<b>The corporate governance system and practices ensure equal conditions for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the Company.</b>			
1.3.1	The Company has created conditions for fair treatment of each shareholder by the Company's governing and control bodies, including conditions that rule out abuse by major shareholders against minority shareholders.	1. In the reporting period, the persons controlling the Company did not abuse their rights with respect to the Company's shareholders, there were no conflicts between the Company's controlling persons and the Company's shareholders, while the Board of Directors paid due attention to the conflicts, if any.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
1.3.2	The Company does not take any actions that lead or may lead to artificial redistribution of corporate control.	1. No quasi-treasury shares were issued or used to vote in the reporting period.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>1.4</b>	<b>Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.</b>			
1.4.1	Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.	1. The technologies used by the Company's registrar and the terms and conditions of its services meet the needs of the Company and its shareholders, ensure the recording of rights to shares and the exercise of the shareholders' rights in the most effective way.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
2.1	<b>The Board of Directors carries out the strategic management of the Company, determines key principles of and approaches to setting up a corporate risk management and internal control system, oversees the activities of the Company's executive bodies, and performs other key functions.</b>			
2.1.1	The Board of Directors is responsible for appointing and dismissing executive bodies, including due to improper performance of their duties. The Board of Directors also ensures that the Company's executive bodies act in accordance with the Company's approved development strategy and core lines of business.	<ol style="list-style-type: none"> <li>The Board of Directors has the authority stipulated in the Charter to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts.</li> <li>In the reporting period, the Nomination (Appointments, Personnel) Committee considered whether the professional qualifications, skills and experience of the members of the executive bodies comply with the Company's current and expected needs as determined by the Company's approved strategy.</li> <li>In the reporting period, the Board of Directors considered the report(s) of the sole executive body and the collegial executive body (if any) on implementation of the Company's strategy.</li> </ol>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p><b>1. Partial compliance</b></p> <p>Taking into account the existing share capital structure, the Company's Charter stipulates the competence of the Board of Directors to appoint (and dismiss) members of executive bodies.</p> <p>The following matters are attributed to the competence of the Board of Directors:</p> <ul style="list-style-type: none"> <li>Formation of the collective executive body — the Management Board — and early termination of its powers, approval of the size and membership of the Management Board, as well as distribution of functional responsibilities among its members</li> <li>Suspension of the powers of the sole executive body — the Company's CEO and the management organisation (manager) — and establishment of a temporary sole executive body of the Company.</li> </ul> <p>This practice ensures the necessary degree of control by the</p>



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
				<p>Board of Directors over the appointment and dismissal of executive bodies, including due to improper performance of their duties, as well as over the executive bodies' performance in line with the Company's approved development strategy and core activities.</p> <p>At the same time, given the structure of the Company's share capital, the risk of a potential conflict between the Board of Directors and the principal shareholder is minimised when the CEO is appointed by the General Shareholders' Meeting rather than by the Board of Directors. Based on the results of performance assessments of PJSC MMK's Board of Directors (including external assessment) and the results of monitoring of PJSC MMK's National Corporate Governance Rating (assigned by the Russian Institute of Directors (RID)), the option of transferring the competence to elect (appoint) the CEO from the General Shareholders' Meeting to the Board of Directors was considered. However, given the structure of PJSC MMK's share capital, the principal shareholder did not support this approach.</p>



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
				<p>The Company does not rule out the possibility of resuming a discussion of this recommendation with the principal shareholder in the future as part of the corporate governance improvement process, if appropriate.</p> <p><b>2. Full compliance</b> <b>3. Full compliance</b></p>
2.1.2	The Board of Directors sets key long-term targets for the Company, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the Company's core lines of business.	1. In the reporting period, the Board of Directors reviewed at its meetings matters related to the progress in the implementation of the strategy and its updates, the approval of the Company's financial and business plan (budget), and consideration of the implementation criteria and performance (including interim criteria and performance) of the Company's strategy and business plans.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.1.3	The Board of Directors determines the principles of and approaches to setting up a risk management and internal control system in the Company.	<p>1. The principles of and approaches to the arrangement of the Company's risk management and internal control system have been determined by the Board of Directors and are set forth in the Company's internal documents determining the risk management and internal control policy.</p> <p>2. In the reporting period, the Board of Directors approved (revised) the acceptable level of risk (risk appetite) for the Company or the Audit Committee and/or the Risk Committee (if any) considered the feasibility of submitting the issue of revising the Company's risk appetite for consideration to the Board of Directors.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
2.1.4	The Board of Directors determines the Company's policy on remuneration payable to, and/or reimbursement (compensation) of expenses incurred by, directors, executive bodies and other key executives of the Company.	<ol style="list-style-type: none"><li>1. The Company has developed and put in place a policy (policies) on remuneration and reimbursement (compensation) of expenses incurred by directors, executive bodies and other key executives of the Company, approved by the Board of Directors.</li><li>2. In the reporting period, the Board of Directors discussed matters related to such policy (policies).</li></ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.1.5	The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts between the Company's bodies, shareholders and employees.	<ol style="list-style-type: none"><li>1. The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts.</li><li>2. The Company has set up a system to identify transactions leading to a conflict of interest and a scope of measures to resolve such conflicts.</li></ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.1.6	The Board of Directors plays a key role in ensuring that the Company is transparent, discloses its information fully and in a timely manner and provides its shareholders with unhindered access to the Company's documents.	<ol style="list-style-type: none"><li>1. The Company's internal documents specify the persons responsible for the implementation of the information policy.</li></ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.1.7	The Board of Directors controls the Company's corporate governance practices and plays a key role in its significant corporate events.	<ol style="list-style-type: none"><li>1. In the reporting period, the Board of Directors reviewed the results of self-assessment and/or external assessment of the Company's corporate governance practice.</li></ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	





No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
<b>2.2</b>	<b>The Board of Directors is accountable to the Company's shareholders.</b>			
2.2.1	Information about the performance of the Board of Directors is disclosed and made available to the shareholders.	<ol style="list-style-type: none"> <li>The Company's annual report for the reporting period includes the information on individual attendance at Board of Directors and committee meetings.</li> <li>The annual report contains key results of the Board of Directors' performance assessment (self-assessment) in the reporting period.</li> </ol>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p><b>1. Non-compliance.</b> On the grounds contained in the Resolution of the Government of the Russian Federation No. 351 of 12.03.2022 (as amended by 24.11.2022). Information is planned to be disclosed as sanctions pressure eases.</p> <p><b>2. Full compliance</b></p>
2.2.2	The Chairman of the Board of Directors is available to communicate with the Company's shareholders.	1. The Company has in place a transparent procedure enabling its shareholders to forward questions, and receive feedback thereon, to the Chairman of the Board of Directors (or to the senior independent director, where applicable).	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>2.3</b>	<b>The Board of Directors manages the Company in an efficient and professional manner and is capable of making fair and independent judgements and adopting resolutions in the best interests of the Company and its shareholders.</b>			
2.3.1	Only persons of impeccable business and personal reputation who have the knowledge, expertise and experience required to make decisions within the remit of the Board of Directors and essential to the effective discharge of its duties are elected to the Board of Directors.	1. In the reporting period, the Board of Directors (or its nomination committee) assessed nominees to the Board of Directors for required experience, expertise, business reputation, absence of conflicts of interest, etc.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
2.3.2	The Company's directors are elected via a transparent procedure that enables shareholders to obtain information on nominees sufficient to judge on their personal and professional qualities.	1. Throughout the reporting period whenever the agenda of the general shareholders' meeting included the election of the Board of Directors, the Company provided the shareholders with the biographical details of all nominees for the Board of Directors, the results of the Board of Directors' (or the Nomination Committee's) assessment of the compatibility of their professional qualifications, experience and skills with the Company's current and expected needs, and the information on whether the nominee meets the independence criteria set forth in Recommendations 102 - 107 of the Code, as well as the nominees' written consent to be elected to the Board of Directors.	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<b>Partial compliance</b> The biographical details of all nominees for the Board of Directors were not disclosed in 2022 on the grounds set forth in Government Resolution of the Russian Federation No. 351 of 12.03.2022 (as amended by 24.11.2022). Full compliance in other cases.  Full information is planned to be disclosed as sanctions pressure eases.
2.3.3	The Board of Directors has a balanced composition, including in terms of directors' qualifications, experience, expertise and business skills, and enjoys the confidence of the shareholders.	1. In the reporting period, the Board of Directors reviewed its requirements as to professional qualifications, experience and business skills and determined the competencies necessary for the Board of Directors in the short and long term.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.3.4	The Company has a sufficient number of directors to organise the Board of Directors' activities in the most efficient way, including the ability to set up committees of the Board of Directors and enable the Company's significant minority shareholders to elect a nominee	1. In the reporting period, the Board of Directors considered whether the number of directors met the Company's needs and shareholders' interests.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
	to the Board of Directors for whom they vote.			
<b>2.4</b>	<b>В состав совета директоров входит достаточное количество независимых директоров.</b>			
2.4.1	An independent director is a person who is sufficiently professional, experienced and independent to develop their own position, and capable of making unbiased judgements in good faith, free of influence by the Company's executive bodies, individual groups of shareholders, or other stakeholders. It should be noted that a nominee (elected director) who is related to the Company, its significant shareholder, significant counterparty or competitor, or is related to the government, may not be considered as independent under normal circumstances.	1. In the reporting period, all independent directors met all independence criteria set out in recommendations 102 - 107 of the Code, or were deemed independent by resolution of the Board of Directors.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.4.2	The Company assesses compliance of nominees to the Board of Directors and reviews compliance of independent directors with independence criteria on a regular basis. In such assessment, substance should prevail over form.	1. In the reporting period, the Board of Directors (or its nomination committee) made a judgement on the independence of each nominee to the Board of Directors and provided its opinion to shareholders. 2. In the reporting period, the Board of Directors (or its Nomination Committee) reviewed, at least once, the independence of incumbent directors (after their election).	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
		3. The Company has developed procedures defining the actions to be taken by Board members if they cease to be independent, including the obligation to notify the Board of Directors thereof in a timely manner.		
2.4.3	Independent directors make up at least one third of the elected directors of the Board.	1. Independent directors make up at least one third of the Board of Directors.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.4.4	Independent directors play a key role in preventing internal conflicts in the Company and in ensuring that the Company performs material corporate actions.	1. In the reporting period independent directors (who did not have a conflict of interest) conducted a preliminary assessment of material corporate actions implying a potential conflict of interest and submitted the results to the Board of Directors.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>2.5</b>	<b>The Chairman of the Board of Directors ensures that the Board of Directors discharges its duties in the most efficient way.</b>			
2.5.1	An independent director was elected as the Chairman of the Board of Directors, or a senior independent director was appointed from among the elected independent directors to coordinate the work of independent directors and to interact with the Chairman of the Board of Directors.	1. The Board of Directors is chaired by an independent director, or a senior independent director is chosen from among the independent directors. 2. The role, rights and duties of the chairman of the Board of Directors (and, if applicable, of the senior independent director) are duly set out in the Company's internal documents.	<input type="checkbox"/> full <input type="checkbox"/> partial <input checked="" type="checkbox"/> none	<b>1. Non-compliance.</b> The current practice with regard to the Chairman is shaped by the existing share capital structure. At the same time, when appointing the Chairman, the Board of Directors is guided by nominee's authority, impeccable business and personal reputation, trust of shareholders and investors, and the most extensive professional experience



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
				<p>in the sector in which the Company operates. According to the established practice, the Chairman of the Board of Directors is responsible for organising the Board of Directors' activities in the most efficient way, ensuring its interaction with other bodies of the Company, maintaining a constructive environment at meetings, enabling free discussions of agenda items, and supervising the execution of resolutions passed by the Board of Directors.</p> <p>Each independent director is given every opportunity to communicate with the Chairman of the Board of Directors, Internal Audit Department and the Company's management in person.</p> <p>The appointment of a senior independent director was reviewed, particularly as part of the Board of Directors' external performance assessment. On 25.10.2021 the Board of Directors reviewed and approved the Corporate Governance Improvement Programme to 2024 that did not stipulate the appointment of a senior independent director (the programme was unanimously approved by all directors, including independent directors).</p>





No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
				<p>Goals and objectives that form the basis for the Code recommendation under review are supported by the following Company's practices: annual performance assessment of the Board of Directors, its Committees, members of the Board of Directors, including the Chairman; offering an opportunity for Committee Chairmen to speak at the Board meetings; reviewing matters at business meetings/sessions involving independent directors (including at the initiative of independent directors) in addition to official meetings of the Board of Directors and Committees; participation of independent directors in the meetings between the investors and the Company's management.</p> <p>In the future, the Company may determine in the Corporate Governance Improvement Programme that it is appropriate to appoint a senior independent director (if this is deemed beneficial for the Company).</p> <p><b>2. Non-compliance.</b></p> <p>The Charter and the Regulations on the Board of Directors prescribe the functions of the Chairman of the Board of Directors.</p>



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
				If a senior independent director is appointed, the Corporate Governance Improvement Programme will include a definition of their role, rights and responsibilities, as outlined in the Company's internal documents.
2.5.2	The Chairman of the Board of Directors maintains a constructive environment at meetings, enables free discussion of agenda items, and supervises the execution of resolutions passed by the Board of Directors.	1. In the reporting period, the performance of the Chairman of the Board of Directors was assessed as part of the procedure for assessing (self-assessing) the performance of the Board of Directors.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.5.3	The Chairman of the Board of Directors takes all necessary steps to provide the Directors with the information required to pass resolutions on agenda items in a timely manner.	1. The Company's internal documents set out the duty of the Chairman of the Board of Directors to take all steps necessary for the timely provision to directors of materials regarding items on the agenda of a board meeting.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>2.6</b>	<b>Directors act reasonably and in good faith in the best interests of the Company and its shareholders, on a fully informed basis and with due care and diligence.</b>			
2.6.1	Directors pass resolutions on a fully informed basis, with no conflict of interest, subject to equal treatment of the Company's shareholders, and assuming normal business risks.	1. The Company's internal documents stipulate that a director should notify the Board of Directors of any existing conflict of interest as to any agenda item of a meeting of the Board of Directors or its committee, prior to discussing the relevant agenda item. 2. The Company's internal documents stipulate that a director should abstain from voting on	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
		<p>any item in connection with which they have a conflict of interest.</p> <p>3. The Company has in place a procedure enabling the Board of Directors to get professional advice on matters within its remit at the expense of the Company.</p>		
2.6.2	The rights and duties of directors are clearly stated and formalised in the Company's internal documents.	1. The Company has adopted and published an internal document that clearly defines the rights and duties of the members of the board of Directors.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.6.3	The members of the Board of Directors have sufficient time to perform their duties.	<p>1. Individual attendance at Board and committee meetings, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the Board of Directors in the reporting period.</p> <p>2. In accordance with the Company's internal documents, directors should notify the Board of Directors of their intentions to be elected to governing bodies of other entities (apart from the entities controlled by the Company), and of their election to such bodies.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.6.4	All members of the Board of Directors have equal access to the Company's documents and information. Newly elected members of the Board of Directors are furnished with sufficient information about the Company and the performance	1. In accordance with the Company's internal documents, members of the Board of Directors are entitled to access information and documents necessary for the members to perform their duties related to the Company and its controlled entities, while executive bodies of the Company should furnish all relevant information and documents.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
	of the Board of Directors as soon as possible.	2. The Company has in place a formalised induction programme for newly elected members of the Board of Directors.		
<b>2.7</b>	<b>Meetings of the Board of Directors, preparation for such meetings, and participation of directors ensure efficient performance by the Board of Directors.</b>			
2.7.1	Meetings of the Board of Directors are held as needed, taking into account the scale of business and goals of the Company at a particular time.	1. The Board of Directors held at least six meetings in the reporting year.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.7.2	The Company's internal regulations set out a procedure for arranging and holding meetings of the Board of Directors, enabling members of the Board of Directors to properly prepare for such meetings.	1. The Company has an approved internal document that describes a procedure for arranging and holding meetings of the Board of Directors and stipulates, in particular, that the notice of the meeting is to be given, as a rule, at least five days prior to such meeting. 2. In the reporting period, the members of the Board of Directors who were absent from the venue of the meeting of the Board of Directors were given the opportunity to participate in the discussion of the agenda items and to vote remotely, through tele- and videoconferencing.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.7.3	The format of the meeting of the Board of Directors is determined taking into account the importance of its agenda items. The most important matters are dealt with at the	1. The Company's Charter or internal document provides for the most important matters (as per the list set out in Recommendation 168 of the Code) to be discussed at the Board of Directors' meetings held in person.	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<b>1. Partial compliance</b> Subparagraph 11.20.5 of the Charter determines the critical matters attributed to the competence of the Board of Directors that are considered mainly at Board meetings held in



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
	Board of Directors' meetings held in person.			<p>person (including, inter alia, matters listed in Recommendation 168 of the Code). According to the Federal Law on Joint Stock Companies (the Law), the competence of the Board of Directors is set out by the Law and the Company's Charter. At the same time, the Law does not require joint stock companies to list all matters attributed to the competence of the Board of Directors in their charters. Thus, when considering a matter (included in the matters listed in the Law), PJSC MMK's Board of Directors unconditionally determines the format of the Board meeting based on the importance of the matter and guided by the recommendation of the Code.</p> <p>A resolution on critical matters within the competence of the Board of Directors that are to be considered at in-person Board meetings was passed by the General Shareholders' Meeting (when approving the Charter), taking into account their expediency for the Company.</p> <p>The current corporate practice of the Board of Directors' operation, with the support of the committees established by the</p>





No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
				<p>Board, is shaped by the existing share capital structure. This practice fully ensures meaningful and complete consideration (discussion) of the agenda items by the members of the Board of Directors.</p> <p>The Company did not receive any comments or suggestions related to Recommendation 168 of the Code from shareholders and members of the Board of Directors (as part of the Board of Directors' performance assessments).</p> <p>In the future, the list of critical matters to be considered at in-person Board meetings may be revised, if appropriate.</p>
2.7.4	Resolutions on the most important matters relating to the Company's operations are passed at a meeting of the Board of Directors by a qualified majority or by a majority of all elected members of the Board of Directors.	1. The Company's Charter provides for resolutions on the most important matters set out in Recommendation 170 of the Code to be passed at the Board of Directors meeting by a qualified majority of at least three quarters or by a majority of all elected directors.	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<p><b>1. Partial compliance</b></p> <p>Subparagraph 11.20.4 of the Charter defines critical matters within the competence of the Board of Directors, resolutions on which are passed by a majority of all elected members of the Board of Directors, excluding those members who have stepped down (including matters listed in Recommendation 170 of the Code).</p> <p>A resolution on the above matters within the competence of the Board of Directors was passed by the General Shareholders' Meeting</p>



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
				<p>(when approving the Charter), taking into account their expediency for the Company.</p> <p>The current corporate practice of the Board of Directors' operation, with the support of the committees established by the Board, is shaped by the existing share capital structure. The existing practice fully ensures that the opinions of all members of the Board of Directors are taken into account when passing resolutions on matters most crucial to the Company.</p> <p>The Company did not receive any comments or suggestions related to Recommendation 170 of the Code from shareholders and members of the Board of Directors (as part of the Board of Directors' performance assessments).</p> <p>In the future, the current practice may be revised, if appropriate.</p>



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
<b>2.8</b>	<b>The Board of Directors sets up committees for preliminary consideration of the most important matters related to the Company's operations.</b>			
2.8.1	An audit committee comprising independent directors was set up to review matters related to controlling the Company's financial and business activities.	<ol style="list-style-type: none"> <li>The Board of Directors set up an Audit Committee comprising solely independent directors.</li> <li>The Company's internal documents set out the tasks of the Audit Committee, including those listed in Recommendation 172 of the Code.</li> <li>At least one member of the Audit Committee represented by an independent director has experience and knowledge of preparing, analysing, assessing and auditing accounting (financial) statements.</li> <li>In the reporting period, meetings of the Audit Committee were held at least once a quarter.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.8.2	To review matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee was set up, comprising independent directors and headed by an independent director who is not the chairman of the Board of Directors.	<ol style="list-style-type: none"> <li>The Board of Directors has set up a Remuneration Committee comprised exclusively of independent directors.</li> <li>The remuneration committee is chaired by an independent director who is not the chairman of the Board of Directors.</li> <li>The Company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code, as well as the conditions (events) when the Remuneration Committee considers the issue of revising the Company's policy on remuneration of the members of the Board of Directors, the executive bodies and other key management personnel.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
2.8.3	To review matters related to talent management (succession planning), professional composition and efficiency of the Board of Directors, a nomination (appointments, HR) committee was set up, predominantly comprising independent directors.	<ol style="list-style-type: none"> <li>The Board of Directors set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee) predominantly comprising independent directors.</li> <li>The Company's internal documents set out the tasks of the nomination committee (or the tasks of the relevant committee with combined functions), including those listed in Recommendation 186 of the Code.</li> <li>To form the Board of Directors that best meets the Company's goals and objectives, in the reporting period the Nomination Committee, either independently or together with other committees of the Board of Directors, or the Company's division responsible for interaction with its shareholders organized interaction with the shareholders, not limited to major shareholders, in the context of selecting nominees for the Company's Board of Directors.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.8.4	Taking into account the Company's scale of business and level of risks, the Company's Board of Directors made sure that the composition of its committees is fully in line with the Company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics	<ol style="list-style-type: none"> <li>In the reporting period, the Company's Board of Directors considered whether its structure was in line with the Company's size, nature, business goals and needs, and risk profile. Additional committees were either set up or not deemed necessary.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
	committee, risk management committee, budget committee, health, safety and environment committee, etc.).			
2.8.5	The composition of the committees has been determined in such a way that it allows a comprehensive discussion of issues being considered on a preliminary basis with due account of differing opinions.	<ol style="list-style-type: none"> <li>The Audit Committee, the Remuneration Committee, the Nomination Committee (or the corresponding committee with extended functions) were headed by independent directors in the reporting period.</li> <li>The Company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee, or a relevant committee with combined functions) and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
2.8.6	Committee chairmen inform the Board of Directors and its chairman on the performance of their committees on a regular basis.	<ol style="list-style-type: none"> <li>In the reporting period, committee chairmen reported to the Board of Directors on the performance of committees on a regular basis.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>2.9</b>	<b>The Board of Directors ensures performance assessment of the Board of Directors, its committees and members of the Board of Directors.</b>			
2.9.1	The Board of Directors' performance assessment is aimed at determining the efficiency of the Board of Directors, its committees and	<ol style="list-style-type: none"> <li>The Company's internal documents determine the procedures for performing the assessment (self-assessment) of the quality of the Board of Directors' work.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
	members, consistency of their work with the Company's development requirements, as well as at bolstering the work of the Board of Directors and identifying areas for improvement.	<p>2. Assessment or self-assessment of the Board of Directors' performance carried out in the reporting period included performance assessment of committees, individual assessment of each member of the Board of Directors and the Board of Directors in general.</p> <p>3. Results of assessment or self-assessment of the Board of Directors' performance carried out in the reporting period were reviewed at the Board of Directors' meeting held in person.</p>	<input type="checkbox"/> none	
2.9.2	Performance of the Board of Directors, its committees and members is assessed regularly at least once a year. An external advisor is engaged at least once in three years to conduct an independent assessment of the Board of Directors' performance.	1. The Company engaged an external advisor to conduct an independent assessment of the Board of Directors' performance at least once over the last three reporting periods.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>3.1</b>	<b>The Company's Corporate Secretary ensures efficient ongoing interaction with shareholders, coordinates the Company's efforts to protect shareholder rights and interests, and supports efficient performance of the Board of Directors.</b>			
3.1.1	The Corporate Secretary has the knowledge, experience and qualifications sufficient to perform their duties, as well as an impeccable reputation and the trust of shareholders.	1. The biographical data of the corporate secretary (including age, education, qualifications and experience), as well as information on positions in management bodies of other legal entities that the Corporate Secretary has held for at least the past five years are published on the corporate website and in the Company's annual report.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	





No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
3.1.2	The Corporate Secretary is sufficiently independent of the Company's executive bodies and has the powers and resources required to perform their tasks.	<ol style="list-style-type: none"> <li>The Company has adopted and disclosed an internal document: regulations on the Corporate Secretary.</li> <li>The Board of Directors approves the appointment, dismissal and additional remuneration of the Corporate Secretary.</li> <li>The Company's internal documents stipulate the right of the Corporate Secretary to request and receive the Company's documents and information from the management bodies, structural divisions and officials of the Company.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>4.1</b>	<b>Remuneration payable by the Company is sufficient to attract, motivate and retain people with competencies and qualifications required by the Company. Remuneration payable to the members of the Board of Directors, executive bodies and other key executives of the Company complies with the approved remuneration policy of the Company.</b>			
4.1.1	The amount of remuneration paid by the Company to the members of the Board of Directors, executive bodies and other key executives creates sufficient incentives for them to work efficiently while enabling the Company to engage and retain competent and qualified specialists. At the same time, the Company avoids unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and Company employees.	1. Remuneration of directors, executive bodies and other key executives of the Company is determined based on the results of the comparative analysis of the level of remuneration in comparable companies.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
4.1.2	The Company's remuneration policy is devised by the remuneration committee and approved by the Board of Directors. The Board of Directors, assisted by the remuneration committee, ensures control over the introduction and implementation of the Company's remuneration policy, revising and amending it as required.	1. In the reporting period, the remuneration committee considered the remuneration policy (policies) and its (their) introduction practices, performed assessment of performance and transparency and presented relevant recommendations on updating the policy (policies) to the Board of Directors as required.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
4.1.3	The Company's remuneration policy includes transparent mechanisms for determining the amount of remuneration due to the members of the Board of Directors, executive bodies and other key executives of the Company, and regulates all types of expenses, benefits and privileges provided to such persons.	1. The Company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to the members of the Board of Directors, executive bodies and other key executives of the Company, and regulates (regulate) all types of expenses, benefits and privileges provided to such persons.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
4.1.4	The Company determines a policy on reimbursement (compensation) of expenses detailing a list of reimbursable expenses and specifying service levels that the members of the Board of Directors, executive bodies and other key executives of the Company may claim. Such	1. The remuneration policy (policies) or other internal documents of the Company define the rules for reimbursement of expenses incurred by the members of the Board of Directors, executive bodies and other key executives of the Company.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
	policy can be part of the Company's remuneration policy.			
4.2	<b>The remuneration system for members of the Board of Directors ensures alignment of financial interests of directors with long-term financial interests of shareholders.</b>			
4.2.1	<p>The Company pays fixed annual remuneration to members of the Board of Directors. The Company does not pay remuneration for attending individual meetings of the Board of Directors or its committees.</p> <p>The Company does not use any form of short-term incentives or additional financial incentives in respect of the members of the Board of Directors.</p>	<p>1. In the reporting period, the Company paid remuneration to members of the Board of Directors in accordance with the Company's Remuneration Policy.</p> <p>2. In the reporting period, the Company did not apply short-term incentives or additional financial incentives that depend on the Company's results (performance indicators) to members of the Board of Directors. The Company did not pay any remuneration for attending individual meetings of the Board of Directors or its committees.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
4.2.2	<p>Long-term ownership of Company shares helps to align the financial interests of the members of the Board of Directors with long-term interests of shareholders to the utmost. At the same time, the Company does not link the right to dispose of shares to performance targets, and members of the Board of Directors do not participate in stock option plans.</p>	<p>1. If the Company's internal document(s) – the remuneration policy (policies) – stipulates (stipulate) provision of company shares to members of the Board of Directors, clear rules for share ownership by board members shall be defined and disclosed, aimed at stimulating long-term ownership of such shares.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	<p>The Company's internal documents do not stipulate the provision of Company shares to members of the Board of Directors.</p>



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
4.2.3	The Company does not provide for any extra payments or compensations in the event of early termination of the Board members' tenure resulting from a change of control or any other reasons.	1. The Company does not provide for any extra payments or compensations in the event of early termination of the Board members' tenure resulting from a change of control or any other reasons.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>4.3</b>	<b>The Company considers its performance and the personal contribution of each executive to the achievement of such performance when determining the amount of a fee payable to members of executive bodies and other key executives of the Company.</b>			
4.3.1	Remuneration due to members of executive bodies and other key executives of the Company is determined in a manner providing for reasonable and justified ratio of the fixed part of remuneration and the variable part that depends on the Company's performance and the employee's personal (individual) contribution to the result.	<ol style="list-style-type: none"><li>In the reporting period, annual performance targets approved by the Board of Directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the Company.</li><li>During the latest assessment of the remuneration system for members of executive bodies and other key executives of the Company, the Board of Directors (remuneration committee) made sure that the Company applies an efficient ratio of the fixed and variable parts of remuneration.</li><li>When determining the amount of the remuneration to be paid to members of the executive bodies and other key executives of the Company, the risks borne by the Company are taken into account to avoid incentives to make high-risk management decisions.</li></ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
4.3.2	The Company has in place a long-term incentive programme for members of executive bodies and other key executives of the Company with the use of Company shares (options and other derivative financial instruments where Company shares are the underlying asset).	1. If the Company has in place a long-term incentive programme for members of executive bodies and other key executives of the Company with the use of company shares (financial instruments based on company shares), the incentive programme implies that the right to dispose of such shares and other financial instruments takes effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the Company's performance targets.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	<p>The Board of Directors reviewed this matter during an assessment of its performance (including external assessment) and when developing corporate governance improvement programmes.</p> <p>The Board of Directors did not support using Company shares as motivation.</p> <p>The current incentive system sufficiently ensures that the remuneration of members of executive bodies and other key executives of the Company depends on the Company's performance and their personal contribution to this performance.</p> <p>The Company may include the option to introduce a long-term incentive programme with the use of Company shares (including description of rights and conditions for their exercise) in the Corporate Governance Improvement Programme if this is deemed appropriate.</p>



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
4.3.3	The compensation (golden parachute) payable by the Company in case of early termination of powers of members of executive bodies or key executives at the Company's initiative, provided that there have been no actions in bad faith on their part, does not exceed double the amount of the fixed part of their annual remuneration.	1. In the reporting period, the compensation (golden parachute) payable by the Company in case of early termination of powers of members of executive bodies or key executives at the Company's initiative, provided that there have been no actions in bad faith on their part, did not exceed double the amount of the fixed part of their annual remuneration.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>5.1</b>	<b>The Company has in place an effective risk management and internal control system providing reasonable assurance in the achievement of the Company's goals.</b>			
5.1.1	The Company's Board of Directors determined the principles of, and approaches to, setting up a risk management and internal control system at the Company.	1. Functions of different governing bodies and business units of the Company in the risk management and internal control system are clearly defined in the Company's internal documents / relevant policy approved by the Board of Directors.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
5.1.2	The Company's executive bodies ensure establishment and continuous operation of an efficient risk management and internal control system at the Company.	1. The Company's executive bodies ensured the distribution of functions, powers and responsibility related to risk management and internal control between the heads (managers) of business units and departments accountable to them.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	





No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
5.1.3	The Company's risk management and internal control system ensures an objective, fair and clear view of the current state and future prospects of the Company, the integrity and transparency of the Company's reporting, as well as reasonable and acceptable risk exposure.	<ol style="list-style-type: none"> <li>The Company has approved an anti-corruption policy.</li> <li>The Company has established a safe, confidential and accessible way (a hotline) to inform the Board of Directors or the Audit Committee of the Board of Directors of any violations of legislation, internal procedures or the Code of Ethics of the Company.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
5.1.4	The Company's Board of Directors takes necessary measures to make sure that the Company's current risk management and internal control system is consistent with the principles of, and approaches to, its setup determined by the Board of Directors, and that it functions efficiently.	<ol style="list-style-type: none"> <li>In the reporting period, the Board of Directors (the audit committee and/or risk committee (if available) established the assessment of reliability and performance of the Company's risk management and internal control system.</li> <li>In the reporting period, the Board of Directors considered the results of assessing the reliability and performance of the Company's risk management and internal control system. The results of this assessment are included in the Company's annual report.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>5.2</b>	<b>The Company performs internal audits for regular independent assessment of the reliability and efficiency of its risk management and internal control system, as well as corporate governance practices.</b>			
5.2.1	The Company has set up a separate business unit or engaged an independent external organisation to carry out internal audits. Functional and administrative reporting lines of the internal audit unit are delineated. The internal	<ol style="list-style-type: none"> <li>To perform internal audits, the Company has set up a separate business unit — internal audit division — functionally reporting to the Board of Directors, or engaged an independent external organisation with the same line of reporting.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
	audit unit functionally reports to the Board of Directors.			
5.2.2	The internal audit department evaluates the reliability and efficiency of the risk management and internal control system, performs an assessment of corporate governance, and applies generally accepted standards of internal audit.	<ol style="list-style-type: none"> <li>In the reporting period, the reliability and efficiency of the risk management and internal control system was assessed as part of the internal audit procedure.</li> <li>In the reporting period, as part of internal audit, the practice (individual practices) of corporate governance was (were) assessed, including procedures for exchanging information (including on internal control and risk management issues) at all levels of the Company's management, as well as stakeholder engagement procedures.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>6.1 The Company and its operations are transparent for its shareholders, investors and other stakeholders.</b>				
6.1.1	The Company has developed and implemented an information policy ensuring efficient exchange of information by the Company, its shareholders, investors and other stakeholders.	<ol style="list-style-type: none"> <li>The Company's Board of Directors approved an information policy developed in accordance with the Code's recommendations.</li> <li>In the reporting period, the Board of Directors (or one of its committees) considered the efficiency of the exchange of information between the Company, its shareholders, investors and other stakeholders and the advisability (necessity) of revising the Company's information policy.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
6.1.2	The Company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and	<ol style="list-style-type: none"> <li>The Company discloses information on its corporate governance system and general principles of corporate governance, including disclosure on its website.</li> <li>The Company discloses information on the composition of its executive bodies and Board of Directors, independence of the Board</li> </ol>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<b>1. Full compliance</b> <b>2-3. Partial compliance</b> On the grounds contained in Resolution of the Government of the Russian Federation No. 351 of 12.03.2022 (as amended on 24.11.2022), access to



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
	recommendations of the Code.	<p>members and their membership in of the Board of Directors' committees (as defined by the Code).</p> <p>3. If the Company has a controlling person, the Company publishes a memorandum of the controlling person setting out this person's plans for the Company's corporate governance.</p>	<input type="checkbox"/> none	<p>information of PJSC MMK was partially restricted in 2022. Access will be restored as sanctions pressure eases.</p>
<p><b>6.2 The Company makes timely disclosures of complete, up-to-date and reliable information about the Company to allow shareholders and investors to make informed decisions.</b></p>				
6.2.1	<p>The Company discloses information following the principles of regularity, consistency and timeliness, as well as accessibility, accuracy, completeness and comparability of the disclosed data.</p>	<p>1. The Company has established a procedure to coordinate the work of all the Company's structural divisions and employees which are engaged in the disclosure of information or the activity of which may lead to the need to disclose information.</p> <p>2. If the Company's securities are traded on foreign organised markets, the Company ensured concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting year.</p> <p>3. If foreign shareholders hold a significant amount of the Company's shares, the relevant information was disclosed in the reporting period both in the Russian language and in one of the most widely used foreign languages.</p>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
6.2.2	The Company avoids a formalistic approach to information disclosure and discloses material information about its operations, even if the law does not require the disclosure of such information.	<ol style="list-style-type: none"><li>1. The Company's information policy sets out the approaches to disclosure of other events (actions) having a material effect on the value or quotations of its securities, the disclosure of which is not required by law.</li><li>2. The Company discloses information on the Company's capital structure in its annual report and on the Company's website in accordance with recommendation 290 of the Code.</li><li>3. The Company discloses information on its controlled material legal entities, including information on their key areas of activity, mechanisms for ensuring the accountability of the controlled legal entities, and the authority of the Company's Board of Directors to determine the strategy and assess the performance of the controlled legal entities.</li><li>4. The Company discloses its non-financial report — a sustainability report, an environmental report, a corporate social responsibility report or another report containing non-financial information, including information on the factors related to the environment (including environmental and climate change factors), the Company (social factors) and corporate governance, except for the report of the issuer of securities and the annual report of a joint stock company.</li></ol>	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	<b>1. Full compliance</b> <b>2-4. Non-compliance</b> On the grounds contained in Resolution of the Government of the Russian Federation No. 351 of 12.03.2022 (as amended on 24.11.2022), access to information of PJSC MMK was partially restricted in 2022. Access will be restored as sanctions pressure eases.



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
6.2.3	The Company's annual report, as one of the most important tools of its information exchange with shareholders and other stakeholders, contains information enabling assessment of the Company's annual performance results.	<ol style="list-style-type: none"> <li>The Company's annual report contains information on the results of the Audit Committee's assessment of the efficiency of the external and internal audit process.</li> <li>The Company's annual report contains information on the Company's environmental and social policy.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
<b>6.3 The Company provides information and documents requested by its shareholders in accordance with the principles of equal and unhindered access.</b>				
6.3.1	The shareholders can exercise their right of access to the Company's documents and information without unjustified difficulties.	<ol style="list-style-type: none"> <li>The Company's information policy (internal documents determining its information policy) stipulates a procedure for unhindered access of the shareholders to the Company's information and documents upon request.</li> <li>The information policy (internal documents determining the information policy) contains provisions stipulating that if a shareholder requests information on the entities controlled by the Company, the Company shall make the necessary efforts to obtain such information from the relevant entities controlled by the Company.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
6.3.2	When providing information to shareholders, the Company ensures reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information that may	<ol style="list-style-type: none"> <li>In the reporting period, the Company did not refuse shareholders' requests for information, or such refusals were justified.</li> <li>In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality.</li> </ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
	materially affect its competitive edge.			
<b>7.1</b>	<b>Actions that materially affect or may affect the Company's share capital structure and financial position and accordingly the position of its shareholders ("material corporate actions") are taken on fair terms ensuring that the rights and interests of shareholders and other stakeholders are observed.</b>			
7.1.1	Material corporate actions include company reorganisation, acquisition of 30% or more of the company's voting shares (takeover), execution by the Company of material transactions, increase or decrease of the Company's share capital, listing or delisting of company shares, as well as other actions that may lead to material changes in the rights of shareholders or violation of their interests. The Company's Charter provides for a list (criteria) of transactions or other actions classified as material corporate actions, and these actions are referred to the remit of the Company's Board of Directors.	1. The Company's Charter includes a list (criteria) of transactions or other actions classified as material corporate actions. Resolutions on material corporate actions are referred to the remit of the Board of Directors. When execution of such corporate actions is expressly referred by law to the remit of the general shareholders' meeting, the Board of Directors presents relevant recommendations to shareholders.	<input type="checkbox"/> full <input checked="" type="checkbox"/> partial <input type="checkbox"/> none	Matters classified by the Code as material corporate actions are listed in PJSC MMK's Charter. At the same time, given that all applicable requirements to material corporate actions, including their composition and relevant procedures, are established by Russian legislation and prescribed by PJSC MMK's internal documents (in particular, basic principles are set out in PJSC MMK's Corporate Governance Code), there is no need for additional definition (including in the form of a list) and description of material corporate actions in the Company's Charter (other than provided).  In the event of changes in corporate governance practices and/or legislation that would make it necessary or advisable to supplement the Company's Charter with additional provisions on material corporate actions, relevant amendments will be considered.





No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
7.1.2	The Board of Directors plays a key role in passing resolutions or making recommendations on material corporate actions, relying on the opinions of the Company's independent directors.	1. The Company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
7.1.3	When taking material corporate actions affecting the rights and legitimate interests of shareholders, equal terms and conditions are guaranteed for all shareholders; if the statutory procedure designed to protect shareholder rights proves insufficient, additional measures are taken to protect their rights and legitimate interests. In doing so, the Company is guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements.	1. Due to the specific nature of the Company's business, the Company's Charter provides that the Board's responsibilities include the approval of other transactions of material importance to the Company in addition to those required by law. 2. All material corporate actions in the reporting period were duly approved before they were taken.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	



No.	Corporate governance principles	Criteria for assessment of compliance with the corporate governance principle	Compliance status	Reasons for non-compliance
<b>7.2</b>	<b>The Company takes material corporate actions in such a way as to ensure that shareholders receive in a timely manner complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when taking such actions.</b>			
7.2.1	Information about material corporate actions is disclosed with explanations of the grounds, circumstances and consequences.	1. If the Company took material corporate actions during the reporting period, the Company disclosed timely and detailed information on such actions, including the reasons for and conditions of taking such actions and their consequences for the shareholders.	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	
7.2.2	Rules and procedures related to material corporate actions taken by the Company are set out in the Company's internal documents.	<ol style="list-style-type: none"><li>1. The Company's internal documents set out cases and procedure for engaging an appraiser to estimate the value of assets either disposed of or acquired in a major transaction or an interested party transaction.</li><li>2. The Company's internal documents set out a procedure for engaging an appraiser to estimate the value of shares acquired and bought back by the Company.</li><li>3. If a member of the Board of Directors, a sole executive body, a member of the collegial executive body of the Company or a controlling person of the Company or a person entitled to give mandatory instructions to the Company have no formal interest in the Company's transactions but have a conflict of interest or other actual interest, the Company's internal documents stipulate that such persons do not take part in the voting to approve such transactions.</li></ol>	<input checked="" type="checkbox"/> full <input type="checkbox"/> partial <input type="checkbox"/> none	

# **Information on major transactions and interested-party transactions performed (concluded) by PJSC MMK in the reporting year**

*Information shall not be disclosed or provided in accordance with clause 1 of Decree No. 351 of the Government of the Russian Federation dated 12.03.2022 "On the specifics of disclosure and provision in 2022 of information to be disclosed and provided in accordance with the requirements of the Federal Law "On Joint Stock Companies" and the Federal Law "On the Securities Market" and the specifics of insider information disclosure in accordance with the requirements of the Federal Law "On Combating Illegal Use of Insider Information and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation".*



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