Metalloinvest

Metalloinvest Corporate Social Responsibility Report for 2013–2014

Resources for stable growth

Disclaimer

This document (the "CSR Report") and all information and conclusions contained herein were prepared by METALLOINVEST HC OJSC (the "Company") on a voluntary basis in accordance with the Company's internal reporting standards and taking into consideration international initiatives in the field of corporate responsibility, sustainable development and non-financial reporting.

In 2015, the Company introduced internal standards for non-financial annual reporting for the period from January 1 to December 31. The previous CSR report for 2011–2012 was published in 2014. The consolidated CSR Report is addressed to a wide range of stakeholders and presents the main results of the Company's sustainable development activity in 2013 and 2014.

The KPIs mentioned in the CSR Report are based on data from state statistics entries, company management reports and consolidated financial statements certified by an independent auditor.

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The CSR Report contains certain forecasts and assumptions concerning the future, especially (without limitation) with regard to managerial challenges and goals, strategy, production, supposed investments and assumed execution of previously stated transactions. The Company shall not supplement the CSR Report to reflect the facts and circumstances that occur after the date of the CSR Report. Due to their nature, assumptions concerning the future imply risks and uncertainty because they refer to facts and depend on circumstances that may either occur or not occur in the future. The actual results may be different from those presented in the CSR Report depending on many factors, including future levels of industry supply of products, demand and price policy, operating problems, general economic conditions, political stability, economic growth, changes in the laws and state regulation, fluctuations in the exchange rate, development and use of innovative technology, change of public expectations and other market changes, competitors' activity, natural disasters, unfavorable meteorological conditions, wars, acts of terrorism or sabotage, and other factors presented in the CSR Report, as well as other multiple risks affecting the Company and/or its affiliated persons, as well as their activity.

FOR MORE INFORMATION, SEE WWW.METALLOINVEST.COM

Contents

METALLOINVEST*: KEY FACTS

The largest iron ore producer in Russia with the second largest iron ore deposits in the world.

A world leader in the production of merchant hot briquetted iron (“HBI”), third pellet manufacturer in the world, and a regional manufacturer of high-quality steel.

The company adheres to advanced corporate governance practices.

A large employer in the Belgorod, Kursk and Orenburg regions, with approximately 60,000 employees.

An attractive employer:

- proportion of employees with higher and secondary professional education — over 50%;
- average length of service of employees at the company’s enterprises — over 10 years;
- average monthly remuneration at the company’s enterprises is more than 40% above the regional average.

An active member of Russian and international trade associations.

A socially responsible company that successfully implements various social programs in the regions where it operates.

Winner of Russian and international competitions in corporate charity and social responsibility:

- “Leaders of Corporate Charity” annual international contest;
- Russian “Business Leaders: Performance and Responsibility” competition;
- PEOPLE INVESTOR competition for corporate projects;
- “Metals and mining sector company with high social efficiency” industry contest.

METALLOINVEST’S VALUES

LEADERSHIP

- Second largest iron ore reserves in the world and largest in Eurasia
- World leader in merchant HBI production
- Regional leader in iron ore production
- Leader in steel product quality

RESPONSIBILITY

- Compliance with laws
- Social and environmental responsibility in the regions of presence
- Company’s responsibility to its shareholders for the achievement of goals

TEAMWORK

- Company’s work as one whole
- Openness to cooperation
- The Company strives to remain a trusted partner in business
- Mutual trust, respect and support in work situations

PERFORMANCE

- The company sets goals and achieves them

* METALLOINVEST Holding Company OJSC and its subsidiaries, managed by METALLOINVEST HC OJSC directly or through METALLOINVEST MC LLC, hereinafter collectively referred to as the “Company” or “Metalloinvest”.

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AWARDS AND ACHIEVEMENTS

DURING THE REPORTING PERIOD, THE COMPANY RECEIVED A NUMBER OF PRESTIGIOUS AWARDS FROM RUSSIAN AND INTERNATIONAL COMPETITION FOR ITS SUCCESS IN SUSTAINABLE DEVELOPMENT.

Regional development, charity

Winner of three awards at the 7th annual international “Leaders of Corporate Charity 2014” contest:

- #1 in sector ranking;
- #2 in overall ranking of companies;
- Winner in the «Best program that reflects corporate charity policy and the principles of corporate social responsibility» category for its comprehensive socio-economic development program in Novotroitsk.

Winner of the PEOPLE INVESTOR 2014 competition in the “Developing Local Communities” category for the School of Communal Good project and “Employee Health” category for its “Women’s Health” project.

6th place in the overall company ranking and 3rd place in the “Mining and Steel Industry” sub-category of the 6th annual all-Russian “Leaders of Corporate Charity 2013” contest.

Winner of the “Russian Business Leaders: Performance and Responsibility 2013” all-Russian competition in the “Social Responsibility of Business” category, “For Contribution to Regional Development”.

Occupational health and safety

Winner of the regional contest for the best state of occupational safety and conditions among companies, organizations and institutions in the Kursk Region in 2014 (Mikhailovsky GOK).

Best organization for ensuring means of individual protection among large organizations in Stary Oskol (more than 250 employees) in 2014 (OEMK).

Winner of the “Best Employer in the Orenburg Region for Ensuring Safe Labor Conditions and Protection” regional competition in 2014 (Ural Steel).

Winner of the “Mining and Metal Sector Company with High Social Performance” competition in the “Health Protection and Safe Labor Conditions” category in 2013 (Lebedinsky GOK).

Winner in the review competition for best organization of work on occupational safety and production culture among the region’s mining and metal organizations in 2013 (OEMK).

Recipient of the “For Achievements in the Sphere of Health Protection of Russia’s Working Population” certificate as part of the 12th “Profession and Health” all-Russian conference in 2013.

Environmental protection

Winner of the "Russian Business Leaders: Performance and Responsibility 2014" all-Russian competition in the "Environmental Responsibility" category.

Letters of gratitude from Rosprirodnadzor and the Belgorod Regional Duma for contributions to environmental protection in 2013 (OEMK and Lebedinsky GOK).

Employees

One of the winners of the 11th "Mining and Metal Sector Company with High Social Performance" regional competition in the "Employee Development" category in 2013 (Ural Steel) and 2014 (Mikhailovsky GOK and Ural Steel).

Stakeholder engagement

Interactive version of "Iron Magazine" was named the best client electronic magazine by the Best Corporate Media in Russia awards in 2013 and 2014.

Winner of the international Vision Awards Annual Report Competition in the USA in the online version category in 2013.

About the Report and Report Preparation Process

Approach to reporting

This report on Metalloinvest's corporate social responsibility (hereinafter, also the "Report") discloses the key results of sustainable development activity over a two-year period (2013–2014) and describes the main approaches to managing sustainable development and the company's plans for the future.

The Company has adopted a two-year cycle of non-financial reporting. The previous report for 2011–2012 was published in June 2014. From 2016, the Company plans to issue reports on corporate social responsibility annually. Electronic versions of the reports are available on the Company's corporate website: http://www.metalloinvest.com/en/sustainability/csr-reports/.

This Report is prepared in accordance with the "Core" option of the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

Identification of material Aspects

To determine the content of the Report, material Aspects were identified, which made it possible to concentrate on the main economic, social and environmental aspects that are the most significant for the Company and its stakeholders. The process for determining the material Aspects is based on the principles specified in the GRI G4 Guidelines.

To identify the material Aspects, key groups of Report readers were selected by the Working Group in a survey*.

* During the preparation of the next report on corporate social responsibility, the Company plans to survey not only internal but also external stakeholders as part of the process to determine material Aspects.

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Process for identifying material Aspects

Identification

- Analysis of public sources of information (industry trends, competitors, media)
- Analysis of internal sources
- Drawing up a preliminary list of key topics

Prioritization

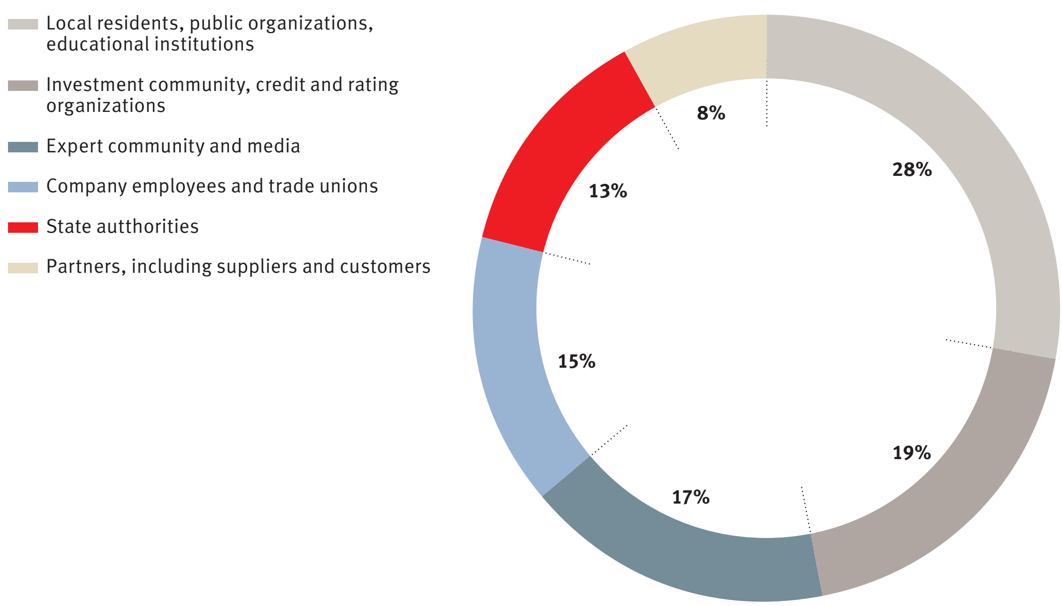
- Creating a working group of 10 representatives of the Company's management for the purpose of determining the Report content
- Discussing the preliminary list of key topics in the Working Group
- Conducting a staff survey to identify key groups of readers of the Report
- Conducting a survey and interviews with staff to prioritize the key topics

Approval

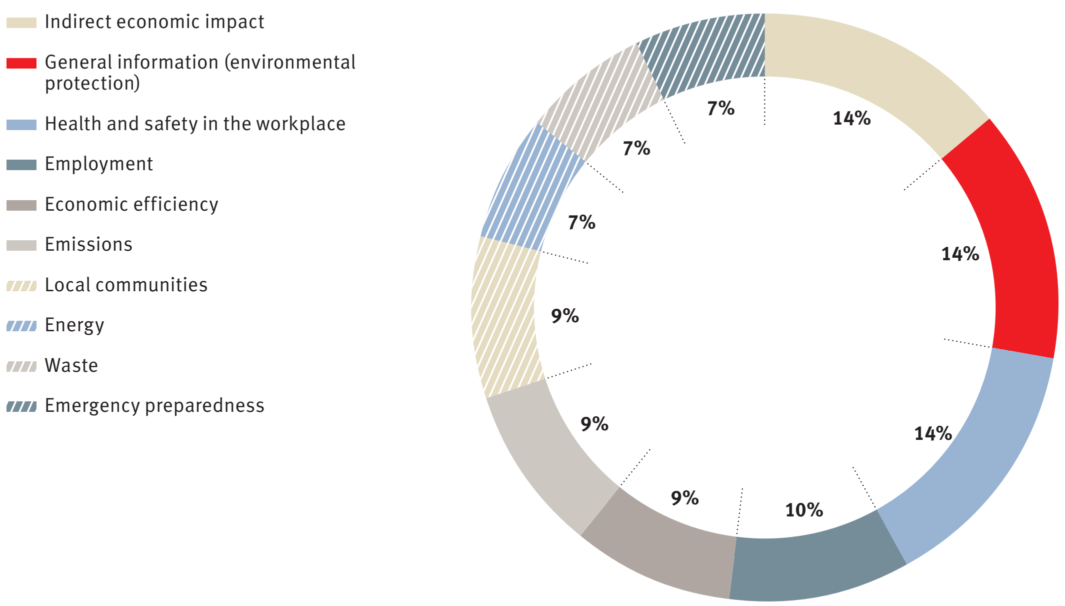
- Forming the final list of key topics and approving them within the Working Group

The approved list of material Aspects includes 10 Aspects of activity that comply with GRI G4 aspects. These Aspects are recognized as significant by the Working Group in terms of their impact both on the Company and its internal and external stakeholders.

Target audiences of the Report based on survey results



Material Aspects of the Report based on survey results and Aspect Boundaries in accordance with the GRI standard



Material aspects	Inside the Company*	Outside the Company**
Indirect economic impact	✓	✓
General information (environmental protection)	✓	✓
Health and safety in the workplace	✓	✓
Employment	✓	✓
Economic efficiency	✓	✓
Emissions	✓	✓
Local communities	✓	✓
Energy	✓	✓
Waste	✓	✓
Emergency preparedness	✓	✓

* The material Aspect Boundaries inside the Company are based on 4 key enterprises.

** The material Aspect Boundaries outside the Company were determined by the Working Group based on an analysis of best practices and available experience of stakeholder engagement.

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Reporting boundaries

This Report is prepared for METALLOINVEST HC OJSC and its subsidiaries, hereinafter collectively referred to as the “Company” or “Metalloinvest”.

Unless otherwise specified, the relevant figures and indicators are presented in the Report as follows:

- the financial information available in the “About the Company” section of this Report encompasses the activity of all organizations controlled by METALLOINVEST HC OJSC in accordance with consolidated IFRS statements for 2013 and 2014;

IFRS financial statements for 2013 and 2014 are available on the Company’s website: http://www.metalloinvest.com/en/investors/.

- other information regarding sustainable development relates only to four key enterprises:
  - Mining Segment — Lebedinsky GOK OJSC (Gubkin, Belgorod Region), Mikhailovsky GOK OJSC (Zheleznogorsk, Kursk Region);
  - Steel Segment — Oskol Electrometallurgical Plant OJSC (Stary Oskol, Belgorod Region), Ural Steel OJSC (Novotroitsk, Orenburg Region).

If indicators are given with different reporting boundaries from those described above, an indication is given in the corresponding descriptions, tables and diagrams.

Data preparation method

During the preparation of reporting information, the Company relied on the requirements of the GRI G4 Guidelines. As compared to the previous sustainability report for 2011–2012, the reporting boundaries for this report were changed as described above. There were no other major changes in the applied methods of data measurement and submission. The environmental protection, occupational health and safety, and human resources management data is based on state statistics entries. In addition, administrative reporting information is used for the corresponding sections, as well as “Development of Local Regions” section.

All financial figures provided in the Report are given in rubles, with the exception of figures used to calculate economic value generated and distributed, which are presented in US dollars. Management reports and IFRS statements serve as a source of data to calculate economic value generated and distributed.

The key indicators are provided not only for the reporting period, but also for the two previous years to ensure the comparability of the data.

Assurance

To increase trust in the Report, we continue the practice of external certification of non-financial reporting by an independent auditor. The independent auditor’s report with expression of limited assurance is included in the Report.

Statement from the Chairman of the Board of Directors

Dear colleagues!

Today Metalloinvest is not only the largest industrial enterprise and a leading taxpayer and employer in Russia, but our company is also one of the country's corporate social responsibility leaders.

The Company's key objectives include caring for the environment, guaranteeing safe labor conditions and an appropriate level of remuneration for our employees, and improving standards of living for people in regions where the company has operations.

Metalloinvest continues to implement a policy to improve its environmental indicators by consistently reducing its environmental footprint. In particular, by refurbishing and modernizing our facilities, within a short period of time the Company has managed to considerably reduce atmospheric emissions, as well as water consumption and waste discharge.

We place special emphasis on production safety. The Company continues to buy more up-to-date protective equipment, works to increase efficiency and conducts comprehensive staff training to prevent injuries.

Employee development is another priority for Metalloinvest. In the reporting period, we improved the labor remuneration system and started the gradual implementation of employee grading. We have been successful with further education programs aimed at training employees in managerial and professional skills. Additionally, in 2013 and 2014, we increased the labor remuneration fund, and as a result, the level of salaries at the Company considerably exceeded the market average.

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"We are confident that our social projects are investments in the future and that we should continue to implement them even in periods of market volatility. Last year we approved Strategy 2023, which identifies social responsibility as one of the key areas of our activities. This means that the improvement of living standards and environmental protection will remain priorities for our Company going forward".

We strive to create a favorable social climate in the regions where our enterprises operate. Metalloinvest implements a whole range of large-scale initiatives in education, sports and culture as part of partnership programs with the administrations of the Kursk, Belgorod and Orenburg regions.

We are confident that our social projects are investments in the future and that we should continue to implement them even in periods of market volatility. Last year we approved Strategy 2023, which identifies social responsibility as one of the key areas of our activities. This means that the improvement of living standards and environmental protection will remain priorities for our Company going forward.

Best regards,
Ivan Streshinsky,
Chairman of the Board
of Directors of METALLOINVEST
Management
Company LLC

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Statement from the CEO

Dear all!

We are pleased to present Metalloinvest's third corporate social responsibility report for 2013–2014. This report discloses the key results of the Company's sustainable development activity.

Our main efforts in this area were focused on improving the company's human resources management system, occupational health and safety, environmental protection, social investments and charity.

The adoption of a new strategy until 2023 was an important event for the Company in 2014. The strategy provides for the strengthening of Metalloinvest's positions as the world leader in the production of merchant hot-briquetted iron, the implementation of a large-scale investment program aimed at increasing production efficiency, growing the share of high added-value products, and increasing product quality. The strategy focus areas include stakeholder engagement, employee development and social and environmental responsibility.

Metalloinvest's values serve as a basis for the development of the Corporate Competency Model aimed at increasing the efficiency of each Company employee. The model will be used during the selection, promotion and evaluation of the Company's staff and managers. We continued to invest in employee development, and we strive to give employees the opportunity for further professional growth. In 2014 alone, the company conducted training for over 16,000 managers, specialists and other staff. As a result of salary increases, the average monthly income at the company grew by about 10% in 2014 as compared to the previous year.

Social support and occupational health and safety remain the Company's priority. Programs for employee treatment and healthcare for mothers and children, assistance for pensioners and Company veterans are provided at all of Metalloinvest's enterprises. Sports, cultural and healthcare events take place annually for employees and their families. Efforts to improve working conditions and reduce the impact of harmful factors on employees are ongoing. In 2013–2014, the Company spent over 1.7 billion rubles on programs and events related to occupational, industrial and fire safety, and approximately 4 billion rubles on social support for employees.

The successful introduction of programs to reduce the environmental footprint of the Company's enterprises should be noted. These programs made it possible to reduce atmospheric emissions by 18% and water pollution by almost 19% in 2013–2014 compared to the previous period. Additionally, a number of measures were implemented to improve the quality of wastewater purification. In particular, a modern sewage-water treatment facility was put into operation at OEMK, making it possible to cut water intake and discharge by half. In 2013–2014, over 15 billion rubles were allocated to measures related to environmental protection and the efficient use of natural resources.

As a socially responsible company, Metalloinvest has continued to implement social partnership programs with the administrations of the regions where its production assets are located. In 2013–2014, 2.9 billion rubles were allocated to charity and social investment programs to develop local regions. The majority of investments in external social programs were allocated to creating a comfortable social and cultural environment and to supporting sports.

For the third consecutive year, Metalloinvest has been ranked as one of the most effective corporate benefactors in Russia by the annual "Corporate Charity Leaders" international contest organized by PricewaterhouseCoopers, Vedomosti and the "Donors's Forum" non-commercial partnership. We are proud that the Company's activity in social responsibility and healthcare has been recognized by various awards as part of Russian and international competitions.

We will continue to adopt advanced standards in the implementation of sustainable development projects, preserving industry and company traditions.

Best regards,
Andrey Varichev,
Chief Executive Officer
of METALLOINVEST
Management Company LLC

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1

About the Company

1.1 About the Company

Metalloinvest is the world leader in the production of merchant hot-briquetted iron (hereinafter, HBI), a leading manufacturer and supplier of iron ore and metal products, and one of the regional producers of high-quality steel.

In accordance with JORC, Metalloinvest possesses proven ore reserves of about 14.4 billion tons*, which guarantees an operational period of about 150 years at current production levels.

Fixed assets of Metalloinvest

Company	Description	Types of products
MINING SEGMENT		
Lebedinsky Mining and Processing Plant (LGOK)	The only manufacturer of HBI using high-quality pellets in Russia and the CIS, the largest company for iron ore extraction and beneficiation and the production of high-quality iron ore materials and metal resources. LGOK operates an open-pit iron ore mine with confirmed reserves of 3.9 billion tons	Iron ore concentrate Iron ore pellets HBI
Mikhailovsky Mining and Processing Plant (MGOK)	The largest company for iron ore extraction and beneficiation in Russia and the CIS. MGOK operates an open-pit iron ore mine with confirmed reserves of 10.5 billion tons	Sinter ore Blast furnace ore Iron ore concentrate Blast furnace concentrate Iron ore pellets
STEEL SEGMENT**		
Oskol Electrometallurgical Plant (OEMK)	Russia's only full-cycle iron and steel plant where the direct iron reduction technologies and smelting in electric furnaces are used, making it possible to obtain steel that is practically free from harmful impurities and residual elements	Direct-reduced iron (hereinafter DRI) Steel products (square billet, pipe stock, cast section, high-quality rolled section)
Ural Steel	Full-cycle enterprise that includes blast furnace production, steelmaking and metal rolling production	Coke Pig iron Cast section Flat steel (bridge steel, strip, vessel steel, massive plate)

* Company data calculated as of 12/31/2014.

** The Steel Segment of Metalloinvest also includes Ural Scrap Company.

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1.2 Locations of the Company's assets

Metalloinvest processes about 70% of its iron ore into high added-value products: pellets and HBI/DRI.

The main consumers of steel products are companies in the automotive, machine-building, piping, construction, metal product and bearing industries.

1.3 Supply geography

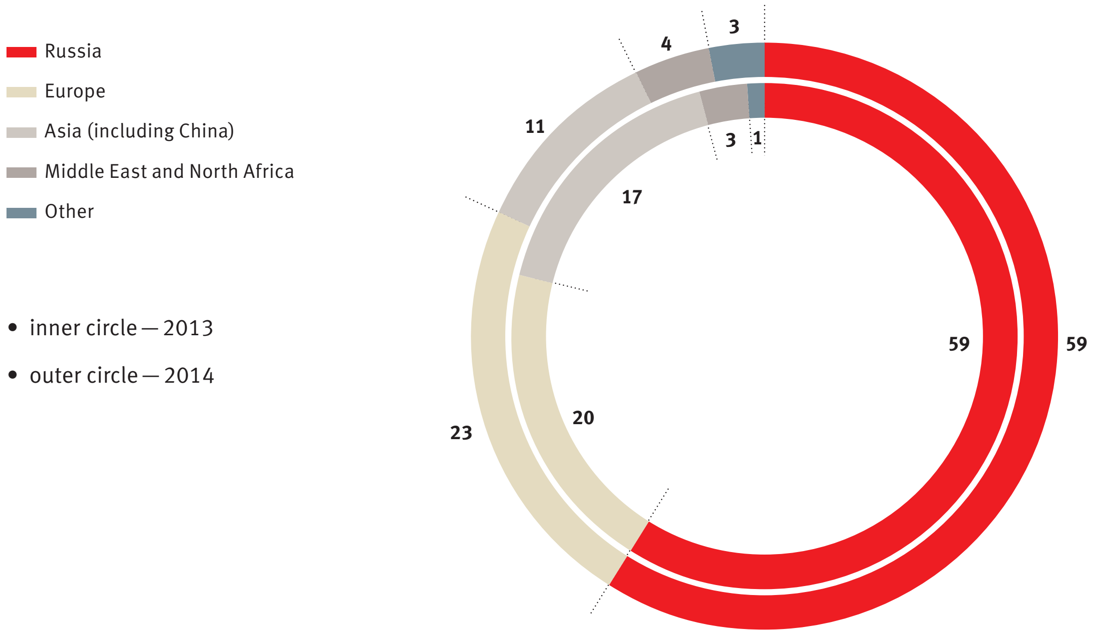
Russia is the main market for Metalloinvest's products, accounting for 59% total iron ore product shipments from the Company's enterprises in 2013–2014.

Metalloinvest aims to increase the geographical diversification of its shipments to end consumers. The consumers of the Company's iron ore products located outside Russia are steelmaking companies in Eastern and Western Europe, Asia, the Middle East and North Africa. The main markets of the Company's Steel Segment include Russia, Western Europe, the Middle East, North Africa and North America.

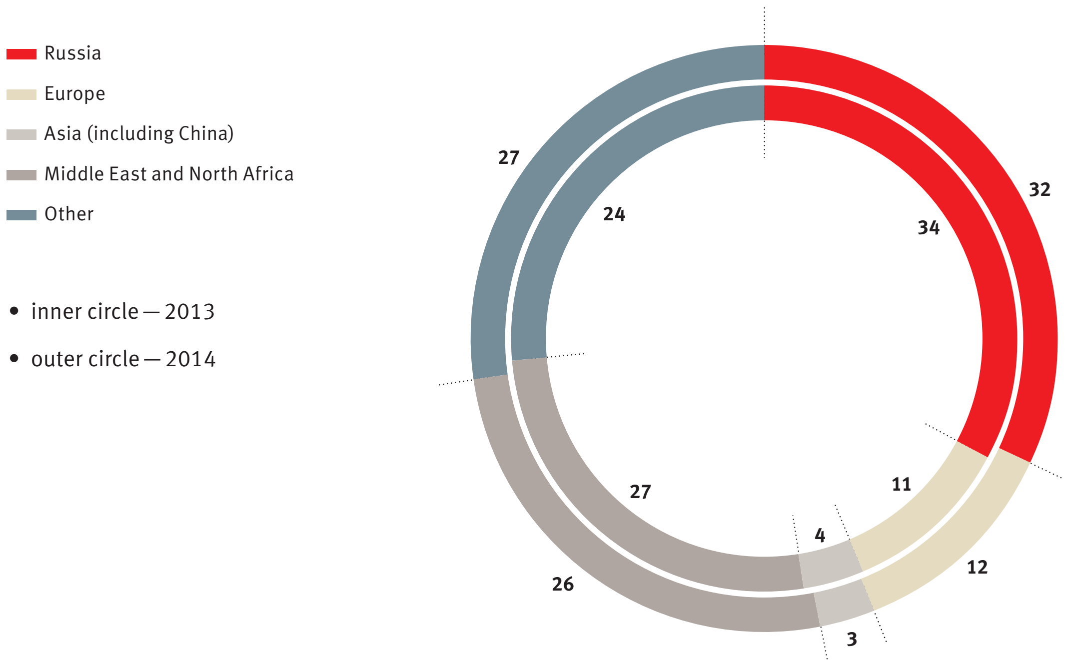
The Company aims to enter into long-term contracts with consumers to ensure stable product sales. In 2013–2014, long-term contracts were concluded with leading Russian and international steelmaking companies, such as NLMK, MMK, Severstal, Kosaya Gora Iron Works, and Ferriere Nord S.P.A. (part of the Pittini Group)*.

* Detailed information about the geography and structure of Metalloinvest's shipments is given in the annual reports for 2013 and 2014.

The structure of Mining Segment shipments in 2013–2014, %



The structure of Steel Segment shipments in 2013–2014, %*



* Shipments to other countries include shipments to the United States of America.

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Work at the Lebedinsky GOK open-pit mine

1.4 Key performance indicators (KPIs)

Despite the continuing decrease in global iron ore and steel prices in 2013–2014, Metalloinvest preserved its leading positions in HBI/DRI markets internationally, in the regional iron ore products market, and in niche markets for high-quality steel. The Company's efficient business model and flexible strategy, as well as long-term contracts with key consumers, contributed to this outcome.

Detailed information about Metalloinvest's financial and production results is provided in the annual reports for 2013 and 2014 and is also available on the Company's website: http://www.metalloinvest.com/en/investors/financial-results/.

Information on the economic value created by the Company for its stakeholders as a result of its operations is presented in the table below. The economic value created is distributed among shareholders and investors, suppliers and contractors, employees, state and local communities and regional and municipal authorities. Part of the value generated remains within the Company and is allocated towards its further development. In 2013 and 2014, the amount of non-distributed economic value amounted to 2,081 million US dollars and 1,858 million US dollars, respectively.

Mikhailovsky GOK
open-pit mine

Economic value generated and distributed by the Company for 2011–2014*, million US dollars

Title	2011	2012	2013	2014
Generated economic value	**9,949**	**8,452**	**7,395**	**6,477**
Revenues	9,919	8,194	7,324	6,367
Financial income	30	258	71	110
Distributed economic value	**6,228**	**6,242**	**5,314**	**4,619**
Production costs	(4,485)	(4,149)	(3,913)	(3,381)
General and administrative costs	(482)	(474)	(471)	(451)
Salary	(283)	(277)	(267)	(254)
Other net operating income / (costs)	37	(353)	(70)	321
Charity donations	(33)	(52)	(43)	(43)
Payments to capital providers	(628)	(777)	(497)	(904)
Paid dividends	(267)	(290)	-	(502)
Financial expenses	(361)	(487)	(497)	(402)
Payments to the state	(669)	(488)	(363)	(204)
Income tax	(669)	(488)	(363)	(204)
Non-distributed economic value	**3,721**	**2,210**	**2,081**	**1,858**

* The information presented in the table encompasses the activity of the organizations controlled by METALLOINVEST HC OJSC in accordance with consolidated IFRS financial statements for 2013 and 2014.

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As part of the Company's business development activities aimed at achieving stable results in the long term, Metalloinvest focuses on producing high added-value products. Thus, pellet and HBI/DRI production increased in the reporting period.

The Company's key operational results for 2011–2014, million tons

Name	2011	2012	2013	2014
Iron ore*	40.1	39.8	38.4	38.7
Pellets	22.4	22.6	22.6	22.7
HBI/DRI	5.0	5.2	5.3	5.3
Pig iron	2.5	2.1	2.2	2.3
Steel	5.8	5.6	4.7	4.5

* Iron ore includes concentrate and sintering ore.

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95%

of products and services purchased from Russian suppliers

2

APPROACH TO SUSTAINABLE DEVELOPMENT

2.1 Strategy

In volatile market conditions around the world, Metalloinvest strives to build a successful, economically sustainable and competitive business. The Company considers supporting the development of the regions of its operations to be a priority.

At the end of 2014, the Board of Directors approved a new comprehensive development strategy for Metalloinvest for a 10-year period, aimed at strengthening its leading positions in the HBI/DRI segment in the world market and in the iron ore and high-quality steel products segment in the regional market.

The Company's mission is to be a company that efficiently extracts and processes iron ore into metallized products and high-quality steel to ensure the long-term growth of the business, professional growth for employees and the development of society

Metalloinvest associates its long-term financial performance with adherence to the principles of sustainable development.

Key principles of sustainable development adopted by Metalloinvest

For details, see Occupational health and safety and employees, p. 51, 75	Ensuring safe working conditions, reasonable wages, rest and treatment of employees	The company strives to create safe working conditions, provide opportunities for professional growth and development to its employees, increase their levels of engagement, and ensure equal rights and opportunities, as well as an appropriate level of remuneration.
For details, see Development of local regions, p. 93	Developing the social and cultural environment in regions of presence	Metalloinvest is involved in the social and economic development of the regions where it has operations. Every year the Company implements social and charity programs aimed at the development of education, health, sports, culture, and infrastructure in the regions and towns where the Company operates.
For details, see Environmental protection, p. 59	Minimizing the Company's environmental footprint in local regions	The Company strives to minimize its impact on the environment by introducing modern technologies, carrying out regular monitoring at its enterprises and complying with national and international standards.

For more information, see www.metalloinvest.com

2.2 Management of Sustainable Development

The Company aims to improve the quality of management of issues related to sustainable development. These processes are improved on an ongoing basis by applying international standards and advanced practices.

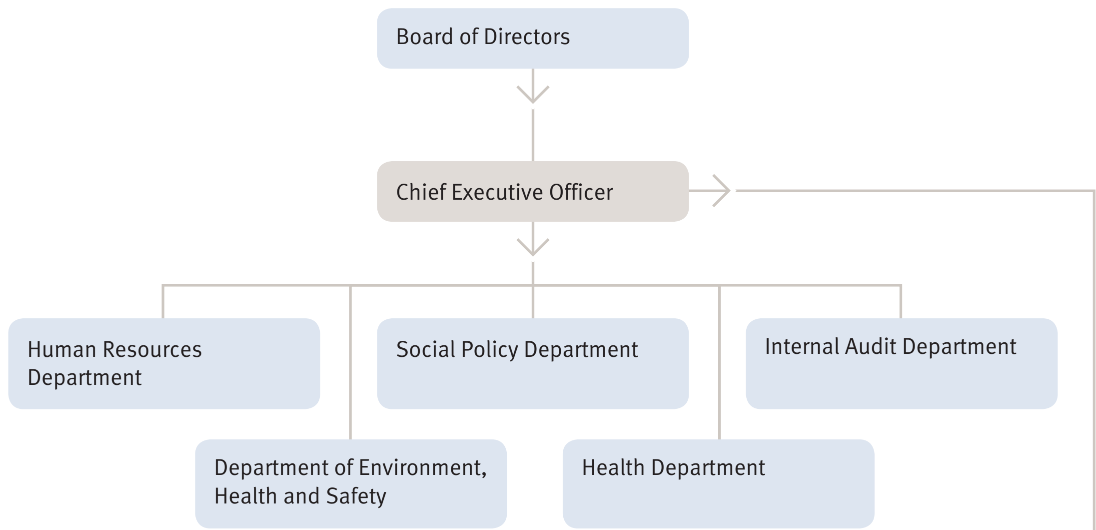
The Board of Directors oversees the management of the Company and is responsible for the execution of its strategic goals. One of the responsibilities of the Board committees is to provide recommendations on key issues, including in the area of sustainable development.

Find more details in "Corporate Governance and Risk Management". See p. 41

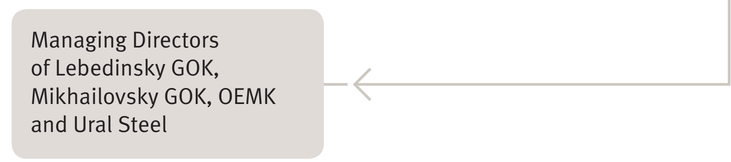
Sustainable development is managed at the level of Metalloinvest MC LLC (hereinafter, "Management Company"), and at the level of the individual enterprises.

Organizational structure of sustainable development management

At Management Company level



At enterprise



Management Company level

At Management Company level, the Director of Social Policy and Corporate Communications manages sustainable development activities. In addition, the structural subdivisions of the Management Company handle sustainable development issues within their areas of responsibility.

The Social Policy Department is responsible for developing methods and coordinating actions for the development of sustainable development practices. The department also ensures the implementation of tasks related to interaction with the regions of operations and social support for the Company's employees.

The HR Department is responsible for tasks related to the improvement of the remuneration system, the development and training of employees, and the recruitment of new staff.

Industrial safety and occupational and environmental protection issues are considered by a specialized subdivision — the Department of Environment, Health and Safety, to which the Company's other departments report.

The Health Department is responsible for the prevention of occupational diseases, a reduction in the general incidence rate, and the development and implementation of a system to manage health and associated risks.

Checking and improving internal control procedures is the responsibility of the Internal Audit Department, whose functions also include the detection, evaluation and management of the Company's risks of a financial and non-financial nature.

Enterprise level

Sustainable development management at enterprise level is the responsibility of the managing directors. Each company has its own business units responsible for executing these tasks, which in turn report to the Management Company.

The Management Company influences the process for implementing approaches in the area of sustainable development at the individual enterprises through a system of unified regulatory documents and established procedures. Critical decisions made at enterprise level must be agreed upon with the Management Company.

Coordination and reporting

Management executives oversee the implementation of tasks in the area of sustainable development by reviewing monthly reports from the Company's departments.

The Company plans to further improve the system of sustainable development management, including by increasing the efficiency of coordination between departments that specialize in the implementation of sustainable development tasks, improving the system of data collection and analysis for non-financial reports, and improving mechanisms and procedures for stakeholder engagement.

FOR MORE INFORMATION, SEE
WWW.METALLOINVEST.COM

Documents regulating sustainable development activities

The Company gradually implements uniform standards and approaches in the field of sustainable development management. Key areas, principles and strategic tasks related to improving the Company's economic, social and environmental protection activities are contained in the Memorandum on Corporate Social Responsibility.

Detailed information is available on the Company's official website: http://www.metalloinvest.com/upload/iblock/bed/memoEng.pdf.

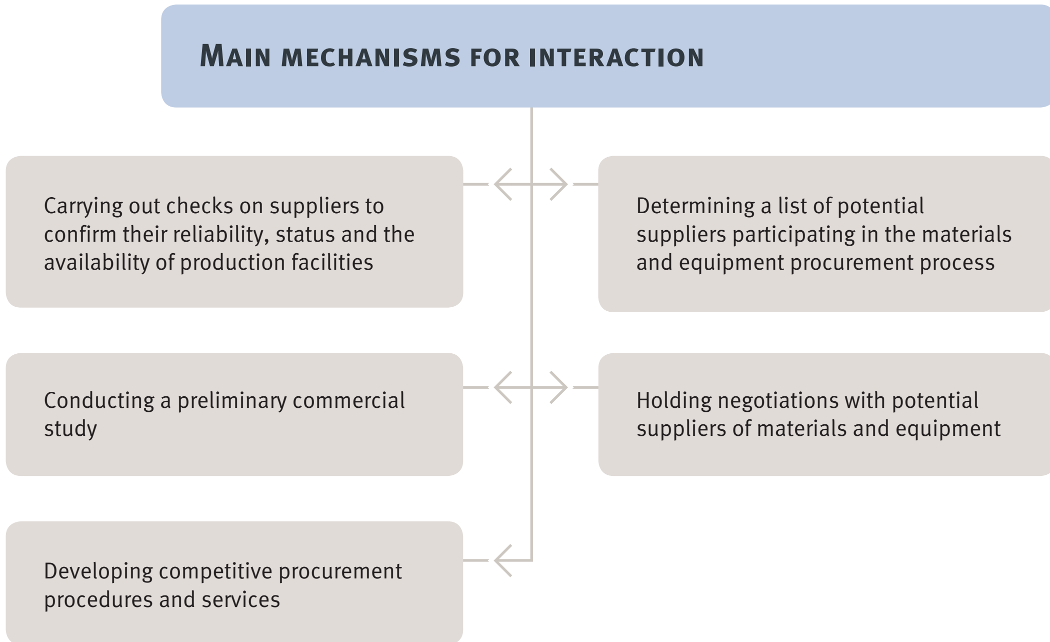
Another document that determines the norms of responsible business practices is the Corporate Ethics Code, which covers corporate ethical norms of behavior, communications, and internal and external interaction of the Company's employees.

Both documents contain the Company's obligations to respect human rights, including the right to a healthy environment, fair labor relations, and equal rights for women. These obligations are adhered to through events and programs planned by the relevant departments.

2.3 Supply chain

Approach to supply chain management

Metalloinvest purchases different kinds of raw materials, goods and equipment (hereinafter, "material and technical resources", "MTR"), working with both Russian and foreign suppliers. The Company aims to develop its procurement system on an ongoing basis and improve communications with suppliers, ensuring the transparency of the procurement process.



OEMK workshop

Metalloinvest creates equal conditions for all potential suppliers by conducting tender procedures with uniform rules.

The Company pays special attention to the purchase of large and/or complex equipment and procurement procedures for such equipment are carried out directly by the Management Company. The Management Company passes the information about the material conditions of the transaction with the selected supplier to Metalloinvest's enterprises which, in turn, conclude agreements and subsequently communicate directly with supplier. However, procurement procedures for energy, coal, scrap metal and other MTR are carried out by the enterprises directly.

At Management Company level, the Procurement Department is responsible for MTR procurement. At enterprise level, the procurement offices of the sale departments are responsible for their own purchasing. The procurement offices interact with legal departments to ensure more efficient interaction with counterparties in regards to the quality and timing of delivered products and services. To be admitted to the assessment stage and included in the list of potential suppliers, organizations need to go through a candidate selection process, which includes a reliability check by the Company's security service and confirmation from the enterprises' technical offices that the supplier's MTR suit their production needs.

The following criteria are applied when selecting suppliers:

Main criteria:

- Price or full cost of ownership.
- Quality.
- Delivery time.

Secondary criteria:

- Warranties.
- Use of advanced technologies.
- Direct supplies.

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Interaction with suppliers in 2013–2014

During the reporting period, the Company worked with more than 4,000 suppliers, including leading companies from Russia and abroad. The Company's purchases in 2013 and 2014 amounted to 91,598 million rubles and 95,961 million rubles, respectively.

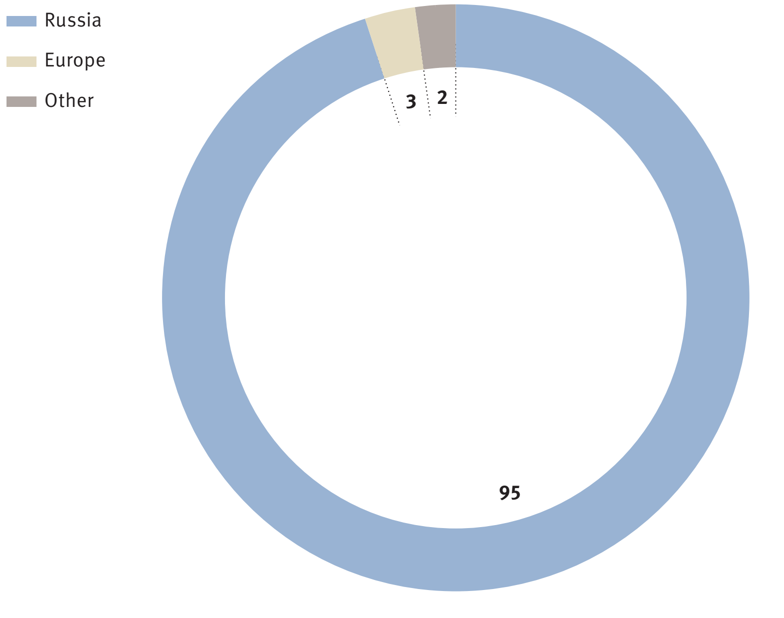
The Company gives preference to cooperation with manufacturers and official representatives of MTR manufacturers. The majority of purchases, approximately 90%, are made directly from MTR manufacturers and official representatives.

The Company purchases the following groups of MTR:

- Scrap metal
- Ferrous alloys
- Electrodes
- Refractory materials
- Chemical products
- Rubber goods
- Fuel, oil and lubricants
- Gas
- Manufacturing equipment
- Investment equipment
- Cable, bearings
- Explosive substances
- Processing materials
- Rolled metal products
- Electricity

Metalloinvest tries to purchase predominantly from Russian suppliers, thus contributing to the development of the national goods and services market. In 2013–2014, the share of procurement from Russian suppliers amounted to approximately 95%, which also includes suppliers from the regions where the Company operates. As Metalloinvest's enterprises are the main employers in most of their regions, the Company strives to cooperate with suppliers from these regions by supporting them in various ways, and thus contributing to the economic growth and the development of small and medium-sized businesses.

Purchases by the Company's enterprises by country in 2014*, %



* Percentages of purchases broken down by region were calculated based on the number of suppliers in given categories. The structure of purchases broken down by country in 2014 was practically the same as in 2013 (differences make up no more than 1%).

2015 and medium-term plans

The Company plans to further develop the existing procurement system and improve its approach to interaction with suppliers, ensuring greater transparency in the procurement process. In particular, the following steps are planned:

- expansion of the functions of the Procurement Department (the department's area of responsibility will include services procurement);
- improvement of documents that regulate procurement activity.

2.4 Stakeholder engagement

Metalloinvest strives for legitimate, stable and mutually beneficial partner relations with all stakeholders on the basis of compliance with the requirements of regulatory and legal acts, industrial norms, and contractual and other obligations.

Metalloinvest strives for legitimate, stable and mutually beneficial partner relations with all stakeholders on the basis of compliance with the requirements of regulatory and legal acts, industrial norms, and contractual and other obligations.

Metalloinvest defines stakeholders as parties that may be considerably influenced by the Company's activity, as well as parties that may influence the Company's ability to successfully implement its strategy and achieve its goals.

The Company has determined its stakeholder groups on the basis of their importance to the Company and the frequency of interaction with them, as well as based on a comparative analysis of non-financial reports by international and Russian mining and steelmaking companies. The results of the analysis were reviewed by the Company's management.

Understanding the expectations of stakeholders and taking measures aimed at meeting these expectations are important components of the Company's activities aimed at increasing the efficiency and stability of the business.

A hotline has been open at the Company since 2010 where internal and external stakeholders can report detected violations, including violations of ethical norms of behavior, violations of employee rights, cases of conflicts of interest, corruption and fraud. Each report received is processed and appropriate measures are taken following a review.

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Results of hotline operation in 2013–2014

Title	2013	2014
Number of reports received	150	132
Number of violations confirmed following a review	31	32
Number of employees held to various types of accountability	22	69

In its interaction with stakeholders, the Company adheres to the principle of openness, providing full reliable information on its operations and using different forms and methods of information distribution and feedback collections, as well as the most effective methods of communication. The main communication channels include the media, the Company website, social networks, annual reports, and CSR reports.

The following innovations during the reporting period have significantly expanded stakeholders' understanding of the Company's operations:

- since 2013, Metalloinvest has issued and distributed Iron Magazine to all stakeholders in Russian and English and in two formats: print and online;
- In 2014, the Company developed a new version of the corporate website which, along with the mobile version, was launched at the start of 2015.

To improve corporate communications, the Company plans to reorganize the management of enterprises' internal communications by introducing an internal communications function, as well as the centralization of corporate media management.

Main stakeholder groups and interaction mechanisms

Stakeholder groups	Stakeholder expectations	Forms of interaction	Interaction results in 2013–2014
Investors and creditors	Openness and transparency of information disclosure Improvement in the Company's investment attractiveness Growth in the Company's value	Participation in briefings and presentations Investor visits to the Company's enterprises Publication of reports on the Company's operations One-on-one meetings and group meetings	Growth in interest in the Company on the part of the investment community Ongoing work to reduce the time of financial information preparation and increase the scope of disclosed information Higher credit ratings Improvements in corporate governance practices
State authorities	Maintaining the level of employment Limitation of harmful impact on the environment Social programs in local regions Implementation of investment projects	Meetings with heads of local towns and regions Conclusion of social and economic partnership agreements	Participation in the work of consultative bodies and selected expert groups Implementation of social programs and programs to maintain and develop social infrastructure

Stakeholder groups	Stakeholder expectations	Forms of interaction	Interaction results in 2013–2014
General public and local communities	Implementation of the Company's operations with consideration for the interests of local communities Company participation in solving the problems of local communities	Implementation of corporate charity programs and joint projects in the interests of local communities Support for social initiatives in local regions	Ongoing implementation of corporate charity programs and programs to maintain and support social infrastructure 5 new programs have been launched
Employees and trade unions	Employment and safe labor conditions Proper labor remuneration Opportunities for professional and career development Access to social programs	Formalization of labor relations with staff in accordance with labor laws Organization of regular training sessions in safety and improvement of further education program Conclusion of collective agreements to ensure social support for staff and their family members, pensioners (retired workers) Monitoring of employee engagement	Conclusion of a collective agreement Benefits classification by amount and application procedure Approval of Blueprint Instructions on Social Support for Employees and their Families Improvement of remuneration system at enterprises Ongoing implementation of social support programs for employees, their families and former staff A study on employee engagement was conducted for the first time
Consumers and suppliers	Stable product quality Competitive pricing Timely reliable supplies	Meetings with customers, participation in conferences, meetings with industrial associations	New long-term contracts were signed with Ferriere Nord S.P.A., Severstal, KOKS Group, Kosaya Gora Iron Works and NLMK Organized the first workshop on HBI application in steelmaking
Educational institutions	Information on employment prospects at the Company Opportunities for development and career growth	Participation in the educational process Internships at the Company's enterprises Cooperation agreements with educational institutions Scholarships Joint training programs for engineering workers Investment in material and technical resources	Ongoing work to form a comprehensive approach to ensuring the quality of specialized education Ongoing financial support for the development of material and technical resources at educational institutions
Industry organizations	Implementation of joint projects and programs Information exchange	Participation in events	Ongoing cooperation with specialized organizations, as well as participation in industry community projects
Media	Transparency in information disclosure Expansion of communication channels	Provision of information materials to the media (incl. upon request); Organization of media events; Updating content of the corporate website	Continued cooperation with media partners Launch of the new corporate website Development of the Company's pages in social networks

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Investors and creditors

Metalloinvest continues to work to improve its information disclosure to the investment community in order to increase the level of trust in the Company. In 2011, the Management Company established the Investor Relations Department, which has made it possible to increase the amount of contact with representatives from the investment community.

During the reporting period, Metalloinvest continued to work on reducing the time required to prepare financial information and increasing the scope of disclosed information. Additionally, disclosure of the Company's financial results is often accompanied by conference calls and webcasts.

Starting from 2012, the Company has participated in different forums and conferences in Russia and abroad. Metalloinvest takes part in international conferences organized by investment banks and independently organizes non-deal road shows and an annual Investor Day, constantly expanding its base of existing and potential investors.

In 2013–2014, Metalloinvest continued to invite investors and analysts see the Company's production assets and organized visits to LGOK and OEMK.

Communications with leading rating agencies are an integral part of the Company's work to improve its investment attractiveness. In 2013–2014, Moody's, Standard & Poor's and Fitch raised the Company's long-term corporate credit ratings.

Consumers and suppliers

The Company's main consumers include large Russian and foreign companies from various industries. The Company is focused on building long-term relations with suppliers in key markets by increasing the share of strategic long-term contracts.

The certified quality management system makes it possible for the Company's enterprises to supply products that meet the requirements set by consumers (http://www.metalloinvest.com/en/partners/quality-system/certificates/). It is important to note that in 2008 the Company was the first in the Russian ferrous metals industry to successfully complete the registration of its main products in accordance with the requirements of European Regulation No. 1907/2006 (REACH).

The information is provided in greater detail on the Company's website: http://www.metalloinvest.com/en/partners/reach/.

The Company works with a large number of suppliers of materials, equipment and services. In its interaction with suppliers, Metalloinvest adheres to the principles of openness, transparency and fair competition. Purchases are made on a tender basis using uniform regulations. Bids are selected by tender committees that include Company representatives, and it is also possible to involve external specialists.

State authorities

Metalloinvest consistently develops relationships with the state authorities of the Russian Federation (RF) and the Eurasian Economic Union (EEU).

With regard to its current and future operations, Metalloinvest:

- monitors changes in legislation and law enforcement practice and implements them on an ongoing basis;
- monitors legal initiatives and submits proposals on improvements to legislation on an ongoing basis;
- participates in drafting and promoting proposals by professional associations and industry organizations.

In addition to its work with state authorities, Metalloinvest participates in the work of consultative bodies and selected expert groups:

Organization	Company's representation
Russian Ministry of Industry and Trade	• Coordination Council for Industrial Policy in the Steel Industry • Interdepartmental Council for Transition to the Principles of Best Available Technologies and the Introduction of Modern Technologies
Ministry of Economic Development of Russia	• Working group to regulate greenhouse gas emissions and prepare proposals to comply with Decree of the President of the Russian Federation #752 "On the Reduction of Greenhouse Gas Emissions" dated September 30, 2013 • Groups of industry experts participating in the Regulatory Impact Analysis
Federal Service for Ecological, Technological and Nuclear Supervision (Rostekhnadzor)	• The Scientific and Technical Council of the Federal Service for Environmental, Technological and Nuclear Supervision • Groups of industry experts participating in the development of federal norms and rules in the area of industrial safety and Methods of Risk Assessment
Federal Antimonopoly Service of Russia (FAS)	• Expert councils within the FAS for competition in steelmaking and railway transport
Russian Ministry of Natural Resources and Environment	• Interdepartmental working group for lifting administrative barriers in subsurface resource use • Working Group of the Russian Ministry of Natural Resources and Environment and the Working Group for housing and public utilities of the Expert Council of the Russian Government on changes to legislation to ensure clear delimitation of responsibility for industrial waste treatment between centralized sewer networks (CSN) and network subscribers and setting feasible norms in regards to discharge of polluting substances into water and CSN, taking into consideration the experience of OECD countries
State Duma	• Participation in meetings of the Environmental Subcommittee and Working Group of the State Duma's Committee for Natural Resources, Use of Natural Resources and the Environment
Eurasian Economic Commission (EEC)	• Consultative Committee for Trade • Expert Group for industrial cooperation in the ferrous metals industry in EEU member states
"Open Government"	• Selected industry expert groups

Starting from 2011, the Company has implemented programs aimed at tackling social problems jointly with the administrations of the towns and regions where it has operations. Specially created coordination councils, which consist of representatives of local authorities and the Company, implement the programs in the various regions.

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General public and local communities

The involvement of local residents in the social and economic life of the towns and regions where the Company implements its social programs is one of Metalloinvest's goals. The Company is succeeding in this, as shown by the growth in active non-profit organizations and initiative groups.

Experts and representatives of governmental agencies and specialized organizations can participate in the work of special bodies (expert platforms), where the options for implementation and the content of territory development programs are discussed. For instance, such an expert platform is now available as part of the "Healthy Child" program in the towns of Zheleznogorsk, Gubkin and Stary Oskol. Deputy heads of municipal administrations for social matters, chief physicians of children's municipal hospitals, kindergarten heads, methodologists, teachers, psychologists, parents and NGO representatives are involved in the program.

Employees and trade unions

The company builds relations with its employees on the basis of open dialogue and partnership, adhering to the principle of equal opportunities.

The Social Council ("Council") is social partnership body for the Company and its employees. The Council contributes to the formation and implementation of HR policy, ensures that parties' interests are taken into consideration during the development of social and economic programs, and advises on matters related to the development of collective agreements and local regulatory acts on social and labor relations. In 2013, a new version of the Regulation on the Social Council was adopted, and executive secretary positions were introduced to be filled by representatives of the Company and employees. The executive secretaries' ensure clear communication between employer and employee in the period between Council meetings.

Social and labor relations at the Company's enterprises are regulated by collective agreements concluded with trade union organizations on behalf of all employees.

The Company communicates with employees through administrative documents, corporate newspapers and television, an internal portal and meetings between managing directors and representatives of top executives with staff. As part of its work to develop communications channels in 2013–2014, the Company rebranded the newspapers published at its enterprises and introduced a uniform content structure for the publications.

To identify issues and subsequently resolve them, the Company studies employee engagement. In 2013, almost 29,000 people at LGOK, MGOK, OEMK, and the Management Company took part in the survey. Following the survey conducted in 2014, 89 projects and events aimed at increasing the level of employee engagement were organized and implemented at enterprises.

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Educational institutions

Metalloinvest takes a thorough approach to the professional training of its potential future employees, cooperating with various educational institutions and helping them to modernize their facilities and upgrade their technical equipment. The Company has developed relationships with schools, technical colleges and universities over several years in order to increase interest among young people in technical professions. Specialized classes have been created with enhanced training in technical disciplines in a number of local schools. The Company meets with graduates and their parents and organizes excursions to its enterprises. As part of the "Our Future" program, schools receive grants from Metalloinvest for achieving the best results in general education disciplines and specialized subjects.

The Company aims to attract specialists with a good basic education and practical experience. To this end, Metalloinvest cooperates with technical schools and universities that train specialists in specific areas. Metalloinvest is a long-standing partner of the Moscow Institute of Steel and Alloys and the Company offers work experience at its enterprises in Novotroitsk and Stary Oskol for lecturers from the university and its regional subsidiaries. Meanwhile, students can attend production and pre-diploma training and receive a qualification. Additionally, specialists from Metalloinvest's enterprises teach at the university's subsidiaries and take part in committees assessing exams and thesis defenses.

Industry organizations

Metalloinvest continues to actively take part in industry initiatives and projects. The Company has been a member of the World Steel Association (WSA) since 2008 and has representatives on two of its committees: the economic committee and the committee for raw materials. In November 2014, Metalloinvest became a sponsor of the annual WorldSteel-48 conference, which was held in Moscow for the first time.

The Company is a member of the International Iron Metallics Association (IIMA). Participation in the association is of special interest for the Company, as IIMA works to promote the use of HBI/DRI in steelmaking. The meetings of IIMA members are held twice a year. In 2013, during the annual general meeting of IIMA members, Metalloinvest's representative Yuri Mishin, Advisor on Industrial Policy to the CEO, was elected Vice President of the Association.

Metalloinvest takes an active role in the work of Russian business organizations:

- Committee for Improvement of Control and Supervisory Activity and Elimination of Administrative Barriers of the Russian Union of Industrialists and Businessmen;
- Commission for Trade Policy and Commission for Occupational, Industrial and Environmental Safety of Russian Steel;
- Steelmaking Committee of the Chamber of Trade and Industry of the Russian Federation.

September 1. Secondary School #15, Gubkin

As a member of the Management Board of the All-Russian Industrial Association of Employers "Russian Metallurgists Association" (RASMET), the Company was actively involved in the drafting and approval of the Agreement on the Introduction of Changes and Amendments to the Sectoral Tariff Agreement in the Russian Mining Industry for 2014–2016, which was signed between the Mining Trade Union of Russia and RASMET in December 2013. The sector tariff agreement regulates the key parameters of relations between employers and employees in key areas: salary, social programs, education, and occupational safety. Compliance with the agreement is mandatory for all companies in the industry.

Media

The Company works on the assumption that Metalloinvest's market position depends on how its operations are perceived by its stakeholders. Proactive communications with the media make it possible to inform stakeholders about Company news and events. The Corporate Communications Department of the Management Company is responsible for communications with national, regional and international media.

The Company's assessment of stakeholder expectations, as well as media engagement as part of measures aimed at meeting such expectations, are important components of the efforts to increase transparency, business efficiency and sustainability.

2.5 Sustainable development measures taken and plans for 2015 and the medium term

Plans for 2013–2014	Completion status	Comments	Plans for 2015 and the medium term
HR POLICY			
Participation in the “Engineering Staff Development in 2012–2014” presidential program to improve qualification levels of engineering staff	✓		Unification of the labor remuneration system at the enterprises Implementation of a unified system of non-financial motivation at the enterprises Structural changes to Company divisions to form unified management principles on the basis of a unified information system Introduction of regulation on labor remuneration and incentives
Development of a procedure to help young employees settle in and a mentorship program	✓		
Expansion of management training program	✓		
Development of distance forms of corporate training	✓		
Introduction of regulation on labor remuneration and incentives	✗	Due to the implementation of a grading system, the timeframe for the development and introduction of regulation on labor remuneration and incentives was moved to 2015–2016	
INTERNAL SOCIAL POLICY			
Development and implementation of regulation on social support for employees	✓		Development and implementation of regulation on social support for pensioners Development and implementation of unified standards and norms for catering
Development of unified standards and norms for medical support and catering	✓		
Use of the new corporate standard for social benefits in collective agreements	✓		
Expansion of corporate social programs	✓		

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Plans for 2013–2014	Completion status	Comments	Plans for 2015 and the medium term
PRODUCTION SAFETY, OCCUPATIONAL HEALTH AND SAFETY			
Introduction of a procedure to inform management about incidents at the Company’s production units	✗	This procedure has been in effect since 2012 at the four main enterprises. In 2015, there are plans to include data from production subsidiaries in the reporting cycle	Development of uniform corporate reporting for occupational health and safety Development of regulations for the investigation of incidents Contractor management program for occupational health and safety First aid training standards
Implementation of unified corporate standards in occupational safety at all of the Company’s units, development of requirements for occupational health and safety for external suppliers and contractors	✗	Due to the development of the Company’s strategy, the timeframe for the implementation of OHS procedures was moved to 2015–2017	
Implementation of unified requirements for personal protective equipment (PPE) at the Company’s main enterprises	✗	The timeframe was moved to 2015 in connection with the decision to centralize MTR purchases, in particular, PPE	
Creation of distance training courses in industrial safety	✓		
Implementation of comprehensive measures aimed at improving workplace conditions and reducing harmful factors	✓		
Modernization of public address systems and fire alarm systems	✓		
EXTERNAL SOCIAL POLICY			
Launch of the “Social Entrepreneurship School” in the Belgorod Region	✗	An analysis of the situation in the region showed that the program was not required and would not be well received by potential participants or partners	Development and launch of the corporate volunteer program in Stary Oskol and Gubkin
Launch of the “Start in Life” pilot program	✓		
ENVIRONMENTAL PROTECTION			
Implementation of measures aimed at dust reduction	✓		Development of Environmental Policy for all of Metalloinvest’s enterprises Development and implementation of company-wide environmental KPIs Development and implementation of a unified program for hazardous substance management at all of the Company’s enterprises Development and implementation of a company-wide method to calculate greenhouse gas emissions/carbon footprint Development and implementation of a company-wide program for the management of environmental protection contractors Re-certification in the ISO 14001 international standard
Reduction in the impact on external water sources	✓		
Waste management improvement	✓		

More than 30%

of the members of the Board of Directors are women

3

Corporate governance and risk management

3.1 Approach to corporate governance

Metalloinvest continues to improve its corporate governance system and implement international best practices, as the Company values their positive impact on the Company's value and on its sustainable development.

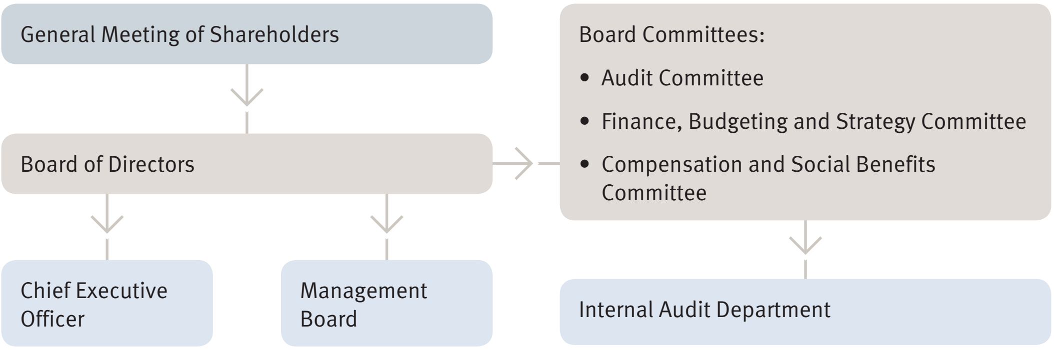
The Company sees corporate governance as a system of interaction between the Company's governing bodies and stakeholders that reflects a balance between the interests of the parties and is aimed at improving the effectiveness of the Company's operations.

Metalloinvest has worked to improve its corporate governance system, implementing unified principles at all of the Company's enterprises, since 2011. In 2013–2014, Metalloinvest developed an efficient structure and balanced composition of the Board of Directors, formed Board committees and a collective executive body (the Management Board), and implemented a number of initiatives in the area of human resources management, increase of operational efficiency and improvement of risk management.

The Company's activity to increase the effectiveness and transparency of corporate governance contributes to the establishment of more open and trusting relations with financial institutions, government authorities, consumers, suppliers and other stakeholders.

3.2 Management bodies

Metalloinvest management structure



More detailed information about corporate governance, including management bodies and their functions and duties, is available on the corporate website (http://www.metalloinvest.com/) and in Metalloinvest's annual reports for 2013 and 2014 (http://www.metalloinvest.com/en/investors/reports/).

Ivan Streshinsky,
Chairman of the Board of Directors of Metalloinvest MC LLC

> "Changes in the structure and composition of the Board of Directors are aimed at further improving the corporate governance of the Company. The experience and expertise of the new members of the Board of Directors will help to determine the most effective ways to implement the Company's strategy".

Board of Directors

The Company's strategic goals, assess risks, and establish conditions for the sustainable development of the Company in the long term.

The objectivity and independence of the Board of Directors are the basic principles that guide the Company in order to improve management efficiency. The Board of Directors includes independent and non-executive directors, which ensures control over the Company's senior management and prevents a conflict of interests. As of December 31, 2014, four out of nine members of the Board of Directors were independent.

In 2013, the Board of Directors held 10 meetings with its members present and 16 in absentia, and, in 2014, it held 11 meetings with members present and 12 in absentia. A number of important decisions were made at these meetings regarding the Company's approach to a number of areas, including corporate social responsibility and sustainable development. In 2014, Metalloinvest approved the updated Development Strategy, including goals in the field of sustainable development and a list of programs to develop business objectives and a bonus system for Metalloinvest's employees.

Balanced composition of the Board of Directors

One of the Company's corporate governance priorities is to ensure a balanced composition of the Board of Directors, which makes it possible to:

- improve the quality of work of the Board of Directors;
- adhere to principles of objectivity and independence during assessment of the Company's work and decision-making;
- reduce the risk of conflicts of interest between the Company's management bodies;
- increase stakeholder trust;
- contribute to the efficient implementation of strategic goals and sustainable development of the Company in the long term.

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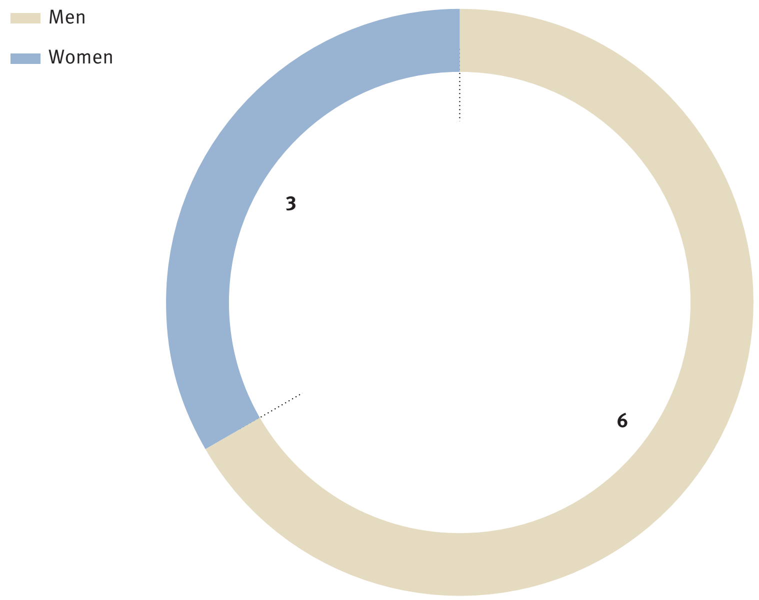
Gender composition of the Board of Directors



In 2013–2014, the structure of the Board of Directors underwent substantial changes. Independent and non-executive directors joined the Board of Directors, which ensures greater control over the activities of the Company's top executives and prevents conflicts of interest between the management and shareholders. In addition, more than 30% of the Board of Directors members are women, which is a higher figure than many Russian companies.

All members of the Board of Directors have professional education in various fields and considerable experience in the steelmaking and other relevant industries, which means that the Board adopts a well-rounded approach to tackling the Company's issues.

Board Committees

At the end of 2013, the Audit Committee and the Finance, Budgeting and Strategy Committee were reformed, and, in April 2014, the Compensation and Social Benefits Committee was formed. The Committees were given the responsibility of overseeing the most important issues within the competence of the Board of Directors and prepare recommendations.

Activities of the Board Committees in the area of sustainable development

Name of the Committee/ Number of meetings in 2014	Issues considered at the meetings in the area of sustainable development
Audit Committee/18	Review of a comprehensive risk management program for 2015, including risk appetite
	Review of internal audit department reports on conducted audits and identified violations, as well as management proposals on elimination of violations
	Review of candidates for an external auditor for financial statements
Finance, Budgeting and Strategy Committee/37	Review of Metalloinvest's development strategy
	Review of a program to develop procedures for setting objectives for employees at enterprises and key performance indicators
Compensation and Social Benefits Committee/7	Development of procedures for setting business objectives for top managers of the company and enterprises, a system of annual and long-term remuneration for the top management, and approaches to create a staff remuneration system
	Elaboration of social programs for 2015 and principles of forming a budget for staff expenditure for 2015
	Launch of a project to develop and implement a grading system in 2014

Management Board

The Management Board is the Company's collective executive body. The Management Board was formed on March 7, 2014 with the aim of further improving corporate governance and drawing more attention to the Company's operations. The Management Board makes decisions on the most important operational issues and submits proposals to the Board of Directors related to key operational areas and develops plans for their realization.

Andrey Varichev is the Chief Executive Officer and the Chairman of the Management Board of Metalloinvest MC LLC. In addition to the top executives of the Management Company, the Management Board includes the Managing Directors of Metalloinvest's enterprises. This enables the Board to determine the most efficient ways to develop the Company. In 2014, the Management Board held 15 meetings where its members discussed important current problems and forwarded their proposals to the Board of Directors.

3.3 Transparency of information disclosure

The Company seeks to ensure a high level of transparency in line with international best practice. Metalloinvest publishes annual reports and every two years it produces reports on corporate social responsibility. The Company also prepares IFRS financial statements and discloses its operating results on a quarterly basis. On the day of publication of IFRS statements, conference calls for ratings agencies and other parties interested in the financial results are arranged. An Investor Day is held annually, where participants are offered the opportunity to ask any questions to the Company's top management.

Raising the level of information disclosure in 2011–2014

TITLE	2011	2012	2013	2014
Full-year financial results (IFRS)	✓	✓	✓	✓
Annual report	✓	✓	✓	✓
Interim financial reports	✓	✓	✓	✓
Quarterly operating results	✓	✓	✓	✓
CSR Report	✓	✓	✓	✓
Participation in forums/conferences and investor meetings	✓	✓	✓	✓
Corporate presentations	✓	✓	✓	✓
Investor presentations		✓	✓	✓
Quarterly financial reporting			✓	✓
Investors and analyst site visits		✓	✓	✓
Annual Investor Day following the full-year financial results disclosure		✓	✓	✓

In 2013–2014, Metalloinvest continued to raise the level of openness and transparency. In particular, the Company:

- reduced the time required to prepare IFRS reports, which made it possible to deliver key financial information to stakeholders earlier;
- organized visits to Metalloinvest's production enterprises for investors and analysts;
- developed a new corporate website, which was launched at the beginning of 2015.

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3.4 Corruption and fraud prevention

Metalloinvest works to prevent corruption and fraud, implementing a set of procedures aimed at the identification, prevention and suppression of these kinds of offenses.

Metalloinvest's enterprises have a number of normative legal acts that regulate activity in the field of corruption and fraud prevention, which include:

- Codes of Corporate Ethics of the Management Company and Metalloinvest's enterprises;
- A response policy for allegations of misconduct (regulates the hotline operation);
- Regulation on commercial secrets;
- Policy and corporate standards in information security;
- Instructions for internal audits.

THE RESULTS OF HOTLINE OPERATION IN THE COMPANY ARE PRESENTED IN SECTION 2.4 "STAKEHOLDER ENGAGEMENT". SEE P. **30**

In 2015, Metalloinvest plans to develop and implement an Anti-Corruption Policy, which will contain mandatory anti-corruption rules for all of the Company's enterprises.

Metalloinvest's hotline is one of the instruments used to identify cases of corruption. Additionally, Metalloinvest regularly conducts anti-corruption and fraud prevention training sessions for employee. In 2013, four employees from security units attended the training, and, in 2014, the number increased to ten.

3.5 Internal control and internal audit system

Internal audit and control are considered by Metalloinvest's Board of Directors to be one of the most important mechanisms for ensuring sustainable development. The Company has an internal control system aimed at the identification and assessment of risks, development of recommendations to reduce their negative impact, and the implementation and improvement of internal control procedures.

The structure of the internal control and audit system encompasses all levels of management and includes the Audit Committee of the Board of Directors, the Internal Audit Department of the Management Company and the internal audit departments of all the company's enterprises. The internal audit departments of enterprises report to the Director of the Internal Audit Department, who reports to the Audit Committee.

Internal audit units are responsible for the inspection and independent assessment of the efficiency of internal control procedures, as well as the development of recommendations to improve the internal control system.

Twice a year, the Audit Committee reviews the consolidated internal audit report, which contains information about the audits completed, violations identified and measures taken by the management to comply with the internal audit recommendations.

More detailed information on the internal control and internal audit system is available in Metalloinvest's Annual Report for 2014 (http://www.metalloinvest.com/en/investors/reports/).

3.6 Risk management system

Risk management, including sustainable development risks, is a primary focus of the Board of Directors. In 2014, the Board of Directors approved a comprehensive corporate risk management system aimed at the early identification, classification, assessment and minimization of risks. This system provides for risk management both at the level of the Board of Directors and at the level of functional managers of the Company's enterprises and subdivisions. Guiding the risk management processes is the responsibility of the Corporate Risk Department.

Main risk groups impacting the Company's sustainable development

Description	Mitigation activities
RISKS RELATED TO CHANGES IN LEGISLATION	
This group of risks includes risks of non-compliance with legislation changes and law enforcement practices in the following fields: • foreign exchange regulation, taxes, customs control, tariff and non-tariff regulations, anti-monopoly regulation • licensing of principal activity • environment, environmental management, occupational health and safety Consequences of risks: penalties for violation of legislation, higher spending on measures for the purposes of complying with new requirements, reputational risks	Continuous monitoring of changes in current legislation and law enforcement practice Implementation of activities and changes in business processes for the purposes of compliance with legislation Active participation in legislative activities Close cooperation with competent public authorities, professional and industry organizations
RISKS RELATED TO EMPLOYEES	
This group of risks includes: • risks of a shortage of qualified staff (causes: a reduction in the number of graduates in relevant disciplines, unwillingness of young specialists to engage in working trades) • risks of an inefficient education system (causes: risk of stress from studying, failure to apply obtained knowledge at the workplace, etc.) • risks of insufficient motivation (causes: employee dissatisfaction with the management's actions, complicated remuneration system and unequal pay) Consequences of risks: reduction in labor productivity, decrease in the quality of products manufactured, increase in personnel costs, etc.	Improving the image of working trades, specialized training at workplaces Developing legal guarantees in conjunction with legislative bodies Control over compliance with work and rest hours Feedback from top management about the use of obtained knowledge and skills in the workplace Conducting a company survey to assess employee engagement and implementing a set of measures based on the results Development and implementation of a grading system in order to unify the remuneration system (the project started in 2014 and will be continued in 2015–2016) Regular training sessions and employee development sessions

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Description	Mitigation activities
RISKS RELATED TO ENVIRONMENTAL IMPACT	
This group of risks is inherent to the steelmaking industry and includes the risk of increasing the negative environmental impact Consequences of risks: an increase in expenses for environmental protection, an increase in environmental payments and penalties, conflicts on environmental issues with local community representatives, etc.	Use of the existing environmental management system, certified in accordance with international standard ISO 14001 Development and implementation of environmental protection measures Engaging with the administrations of regions and towns in which the company operates, environmental and other public organizations Regular employee training sessions
RISKS RELATED TO OCCUPATIONAL HEALTH AND SAFETY	
This group of risks includes: • risks of production-related accidents • risks of occupational illnesses • risk of accidents or incidents Consequences of risks: an increase in OHS expenses; payment of penalties, suspension of manufacturing sites/equipment, harm to the environment, conflicts on environmental issues with local community representatives, risks of protests by trade unions and other public organizations, reputational risks	Holding inspections, preparation and implementation of measures to improve labor conditions and industrial safety as a part of the company's current OHS management system, certified in accordance with international standard OHSAS 18001 Interaction with local trade unions and the administrations of the regions and towns where which the company operates Carrying out measures aimed at technology upgrades and ensuring production safety Regular employee training sessions
RISKS RELATED TO SUPPLIERS	
This group of risks includes: • risks of low-quality product delivery • risks of late delivery of products and services • risks of a shortage of local suppliers with sufficient capabilities Consequences of risks: deterioration in the quality of products and services provided, increase in production costs and extension of deadlines, etc.	The implementation of control measures to ensure the timely delivery of quality goods and services, keeping records and stocks, efficient planning of future production needs Preliminary selection of potential suppliers Implementation of efficient procurement procedures that ensure healthy competition among suppliers

The Company constantly monitors industry-related risks and external risks which may have a negative impact on production and the Company's sustainable development.

In addition to the listed risks related to the Company's sustainable development, management pays great attention to other risks, including macroeconomic, market, production, financial and investment risks.

More detailed information on risk management is available in Metalloinvest's Annual Report for 2014 (http://www.metalloinvest.com/en/investors/reports/).

1.7
BLN RUBLES

are allocated to OHS and fire safety measures

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4

Occupational health and safety

4.1 Approach to occupational health and safety

One of Metalloinvest's main CSR priorities is to ensure safe working conditions and guarantee the health and safety of employees. Metalloinvest oversees its occupational health and safety initiatives at the Company's enterprises in accordance with legally established requirements, as well as with international and national best practice.

Occupational health and safety management (OHS) is in effect at all levels of management and ensures the participation of all employees, including top management of the enterprises, in activities aimed at preventing injuries and accidents.

The organizational structure of occupational health and safety management at the Company

Management company

First Deputy CEO — Production Director

↓

Department of Environment, Health and Safety

Company enterprises

Chief Engineer of LGOK	Chief Engineer of MGOK	Chief Engineer of OEMK	Chief Engineer of Ural Steel
Deputy Chief Engineer — Head of OHS Department	Deputy Chief Engineer — Head of IS&PC Department	Deputy Chief Engineer — Head of OHS Department	Deputy Chief Engineer — Head of Occupational Safety Department

Production department

Full-time specialists in OHS	Full-time specialists in OHS	Full-time specialists in OHS	Full-time specialists in OHS
Responsible for OS	Responsible for OS	Responsible for OS	Responsible for OS

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Lebedinsky GOK, HBI plant

The Company has an advanced occupational health and safety management system, which complies with the requirements of the OHSAS 18001 international standard. Compliance with the requirements of the standard is confirmed by independent auditors, including the British Standards Institute (BSI) (http://www.metalloinvest.com/en/partners/quality-system/certificates/).

The key principle of the OHS system is the efficient management of potential risks, minimization of the number of incidents and accidents at production sites, notification of employees of the OHS requirements and rigorous enforcement and execution of those requirements.

The Company is implementing comprehensive programs to improve working conditions, developed following an assessment of professional risks in the workplace and requirements of current collective agreements. The Company's enterprises actively engage in evaluating working conditions and introducing measures aimed at reducing the impact of hazardous production factors on employees. In 2013, 606 million rubles were allocated to the implementation of occupational safety measures, and more than 631 million rubles were allocated in 2014.

The enterprises organize annual training for employees in occupational safety and industrial and fire safety, as well as emergency response action. The top management, specialists and workers attend the training sessions, which are developed based on the national curriculum and adhere to the deadlines established by the relevant authorities.

The Company continues its targeted efforts to improve the quality and effectiveness of personal and collective protection equipment used by its employees. In 2013, 243 million rubles were spent on up-to-date personal protection equipment, and in 2014 this figure reached 288 million rubles.

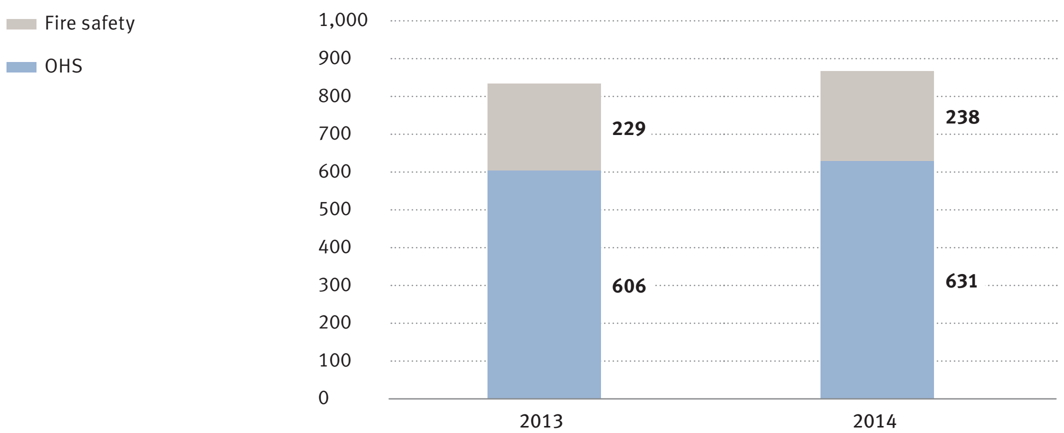
Metalloinvest's enterprises have developed and approved Emergency Management and Emergency Response Plans in accordance with Russian legislation. State requirements, as well as the specific nature of the enterprises' production processes, have been taken into consideration for the development of these plans. Enterprises regularly organize theoretical and practical training courses on staff response in case of accidents or other emergency situations. In 2014, auxiliary emergency mine rescue teams were created at LGOK and MGOK.

Rolled products finishing workshop, OEMK

In accordance with Russian legislation, the Company registers industrial accidents, emergencies and incidents. Since 2012, the Company has implemented a system for reporting accidents to top management when incidents cause a delay in production of more than four hours.

OHS and fire safety measures are carried out as part of plans for the main administrative procedures and following the production risk assessment. In 2013, 835 million rubles were allocated to OHS and fire safety activities, and, in 2014, this figure amounted to more than 869 million rubles.

OHS costs in 2013–2014, million rubles



4.2 Injury and accident prevention

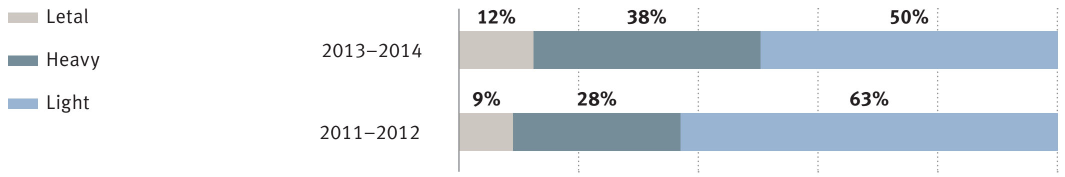
In the reporting period, the injury rate, lost day rate and absentee rate were as follows*:

OHS KPIs by enterprise in 2013–2014

	Metalloinvest		LGOK		MGOK		OEMK		Ural Steel	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Injury rate per 200,000 hours of work time	0.07	0.06	0.05	0.16	0.11	0.04	0.06	0.04	0.06	0.04
Lost days rate per 200,000 hours of work time	6.19	9.66	2.94	10.32	11.90	8.39	5.01	5.93	6.05	13.98
Absentee rate, %	4.65	3.39	5.76	5.36	3.38	1.80	3.94	2.75	5.15	4.03

Minor injuries represent the majority of injuries: in the reporting period, one in two injuries were minor. Severe injuries account for 38% of the total number.

Injury grades across the Company in 2011–2014



Unfortunately, a number of fatal injuries occurred during the reporting period. There were two fatal accidents in 2013 and four in 2014.

All accidents were investigated, and preventive measures aimed at eliminating such accidents in the future were introduced. In particular, measures are being taken to improve the safe working culture and the efficiency of production control methods by line managers. Disciplinary measures for workers and managers were also tightened for non-compliance with the established requirements related to occupational health and safety.

* The injury rate was calculated as (the total number of lost time injuries/the number of man-hours worked) x 200,000 man-hours. The injury rate reflects fatal injuries and does not reflect data on microtraumas or on injuries to contractors' workers.

The lost day rate was calculated as ((the number of days of disability due to injury + number of days of disability due to occupational illnesses)/the total number of man-hours worked) x 200,000 man-hours.

The absentee rate was calculated as the number of days of disability for any reason/the total number of man-hours worked.

To improve production safety and help minimize the number of injuries, the following preventive measures were undertaken in the reporting period:

- appointment of occupational safety commissioners at OEMK, LGOK and MGOK;
- introduction of cross audits in OHS at OEMK and LGOK;
- introduction of a specific OHS regime at all key enterprises for two months in 2014 to improve managers' responsibility and attention to safety issues at production facilities;
- organization of "monthly topics" dedicated to transport safety, working at heights and other relevant issues;
- organization of a number of inspections with the participation of managers, including Managing Directors, Chief Engineers, Production Directors and HR Directors, in addition to existing inspections.

4.3 Employee health

Healthcare centers are in operation at each enterprise, consisting of outpatient clinics and first aid points. Specialists conduct mandatory medical examinations on employees, and they also provide outpatient care and emergency medical assistance.

Metalloinvest fully complies with legal requirements regarding conducting medical examinations for its employees: it develops company-wide methods of control and prevention of occupational illnesses and the sick rate, including analysis of morbidity trends and identification of the main risks to employee health.

Occupational illness rate per 200,000 hours of work time by enterprise in 2013–2014*

	2013	2014
Metalloinvest	0.09	0.07
LGOK	0.26	0.21
MGOK	0.06	0.05
OEMK	0.03	0.00
Ural Steel	0.05	0.04

Besides the provision of medical assistance as under mandatory state insurance, more than 14,000 employees receive healthcare services at the Company's healthcare centers under the voluntary insurance scheme. If advanced medical care is required, Metalloinvest sends its employees to leading Russian and foreign clinics for treatment.

* The occupational disease rate was calculated as (the number of newly identified occupational diseases/the number of man-hours) x 200,000 man-hours.

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4.4 Plans for 2015 and the medium term

Metalloinvest's efforts are geared towards further improving occupational safety, including focusing on risk management, implementing preventive measures and developing a safe working culture.

In 2015, the Company intends to bring the occupational health and safety management system at key enterprises into compliance with company-wide requirements and develop uniform procedures to manage the most significant risks at all enterprises.

Since 2014, the Company's enterprises have carried out industrial and fire safety activities in compliance with the adopted investment program. This includes a unified program to improve the effectiveness of commissioners for occupational safety, a corporate program for personal and collective protection equipment and the efficiency of its use, recertification of the OHS management system in compliance with OHSAS 18001 requirements, an evaluation of work conditions for core and non-core personnel, and regular training sessions on staff response in emergency situations.

Metalloinvest plans to implement the following elements of the occupational health and safety management system:

- at Management Company level:
  - reporting on occupational health and safety;
  - regulation of internal investigations for major accidents;
  - contractor management program in occupational health and safety.
- at enterprise level:
  - introduction of the "My Safe Working Environment" corporate program for workplaces with harmful working conditions;
  - development and implementation of a unified first aid program.

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15
BLN RUBLES

are allocated to current and planned investments in environmental protection measures

5

Environmental protection

5.1 Approach to Environmental Protection

Environmental protection and the sustainable use of natural resources is an integral part of Metalloinvest's operations. The Company is committed to minimizing the environmental footprint of its operations by implementing projects in the area of environmental protection.

Environmental protection management

Environmental protection (hereinafter, "EP") is one of the Company's priorities defined in its development strategy. The EP goals are stated in the Memorandum on Corporate Social Responsibility, and each enterprise has its own goals and objectives.

Priority areas for envrionmental protection action:

- Emissions management
- Water stewardship
- Energy efficiency
- Efficient waste treatment

Achieving EP goals, the Company's enterprises comply with existing regulations and norms, guided by the principles of efficient and prudent use of natural resources, a decrease in harmful emissions, water stewardship, the placement and processing of waste and the recultivation of lands.

The Company manages EP initiatives on two levels: at Management Company level and within the enterprises. At Management Company level, the Department of Environment, Health and Safety was established to coordinate EP-related activities at the enterprises, consolidate data and determine the Company's areas of environmental activities. At enterprise level, there are subdivisions responsible for managing EP issues.

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EP management structure

Management company

First Deputy CEO — Production Director
↓
Department of Environment, Health and Safety

Company enterprises

Chief Engineer of LGOK	Chief Engineer of MGOK	Chief Engineer of OEMK	Chief Engineer of Ural Steel
Head of Environmental Control and EP Department — Chief Environmentalist	Head of EP Department	Deputy Chief Engineer in EP — Head of Department	Head of EP Department

Each enterprise has its own environmental policy. In 2015, the Company plans to develop a Corporate Environmental Policy which will apply to all of Metalloinvest's enterprises, as well as corresponding internal corporate documents.

Starting from 2015, the Department of Environment, Health and Safety must submit quarterly EP reports to the Company's management. The reports will include a quantitative assessment of the Company's impact on the environment, a list of key EP activities in the reporting period, environmental fines imposed, and EP-related issues the enterprises deal with. Thus, the involvement of Metalloinvest's management will increase the effectiveness of monitoring and control of environmental protection measures that are implemented by the Company's enterprises.

Certification and production control

Metalloinvest's enterprises meet the requirements of Russian and international standards of environmental management systems. In 2014, environmental management system supervisory audits were successfully carried out at OEMK and Ural Steel, and recertification audits of the current environmental management system at Lebedinsky and Mikhailovsky GOKs were conducted, confirming their compliance with the requirements of the ISO 14001 international standard. The Company continuously monitors the environmental impact of its operations, and updates the equipment in its laboratories as required, which makes it possible to maintain the quality and accuracy of measurements.

Environmental education and employee involvement

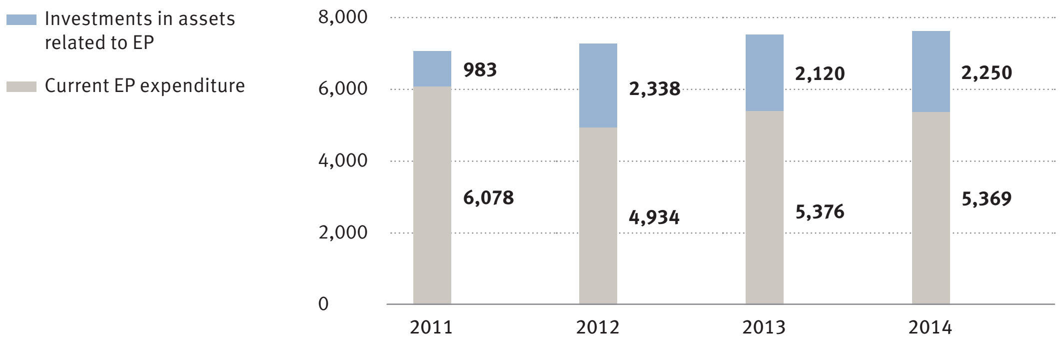
Metalloinvest regularly develops and improves its employee training and development programs on environmental protection. In 2013–2014, the Company organized a series of training programs on waste management attended by 817 employees.

Lebedinsky GOK, HBI-1 and HBI-2

Total expenditure and investments in environmental protection

An increase in the Company's investments in EP projects results in an increase in Metalloinvest's total expenses for environmental protection measures. In the reporting period, expenses for environmental protection and investments in EP increased by 5% compared to 2011–2012, amounting to 15.1 billion rubles.

Expenses for environmental protection measures and investments in EP in 2011–2014, million rubles



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5.2 Reduction of emissions

The Company monitors and controls the emission of pollutants into the atmosphere on an ongoing basis. It also implements initiatives to reduce emissions, which include dust emission reduction measures, equipment modernization and technology upgrades.

Dust emission reduction

The Company's enterprises implement comprehensive measures to reduce dust emissions from tailing facilities (specialized facilities where spent ore is stored). In 2014, the existing dust reduction measures at MGOK were improved: in dry weather, along with ordinary procedures, small aircrafts irrigated dusting surfaces with bischofite, a magnesium chloride solution widely used in medicine and the food industry and more effective than water.

Also, the Company's enterprises carry out work on the biological recultivation of used lands. In 2013–2014, LGOK re-cultivated 51.3 hectares (102.41 thousand m^3).

Equipment modernization and technological upgrades

The Company invests in upgrading its technology and modernizing its production equipment to increase operational efficiency and reduce atmospheric emissions.

As part of the initiatives to reduce emissions in the reporting period, the Company introduced a number of projects.

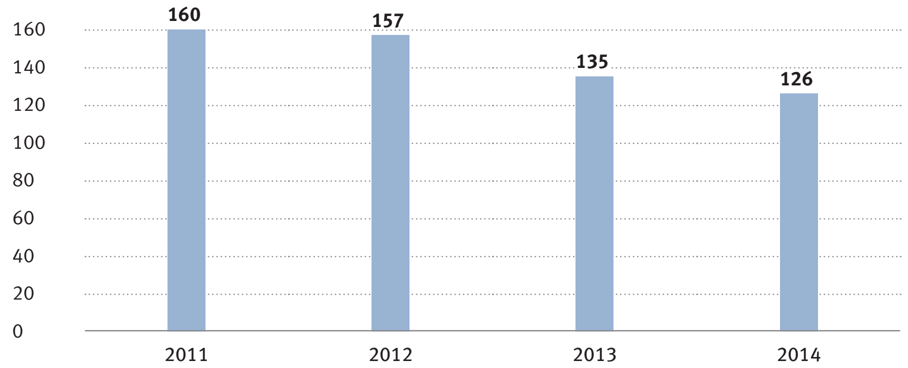
Ural Steel closed its open-hearth furnace shop in 2013, and completed the construction of Coke Oven Battery №6 in 2014. The new coke oven battery has a dust-free coke discharge system that captures and purifies dust and gas emissions.

In 2013, OEMK put into operation the first gas purification unit in the electric arc furnace shop, which reduced atmospheric emissions by more than 37% compared to the previous reporting period. The second stage of gas purification is currently being carried out at OEMK.

MGOK has completed the construction of Pellet Plant №3 and will put it into operation before the end of 2015. The plant includes an indoor storage unit for finished products, air cleaning facilities and a dual induction collector. These technologies contribute to a significant reduction in harmful emissions.

As a result of the gradual implementation of measures, the level of emissions into the atmosphere decreased by 18% in the reporting period.

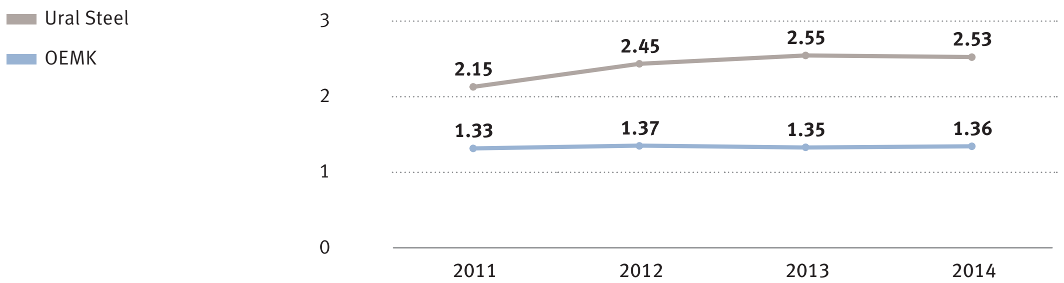
Atmospheric emissions from stationary sources in 2011–2014, thousand tons



Measuring greenhouse gas emissions

Metalloinvest continues to participate in the World Steel Association's (WSA) project to collect data on greenhouse gas emissions in the steelmaking industry, expressed as CO_2 emissions. The data obtained is compared with the data from other companies. Based on this comparison, the Company identifies the most efficient tools to reduce the impact of steelmaking plants. In 2013 and 2014, CO_2 emissions from the Company's steel enterprises totaled 8,338 and 7,725 thousand tons, respectively.

Greenhouse gas emissions, tons of CO_2-equivalent/tons of steel*



In 2014, the Company received a WSA certificate that confirms its compliance with obligations to provide reliable data on CO_2, calculated using a unified method for steel enterprises. The WSA method used by the Company is also recommended by ISO 14404 "Calculation method of carbon dioxide emission intensity from iron and steel production".

* Part of the increase in emissions at Ural Steel is due to production changes geared towards more processed products.

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World Steel Association Certificate

To meet the new government requirements on greenhouse gas emissions control (Russian Federation President Decree #752 dated 09/30/2013), the Management Company established a working group in 2014, which includes chief environmental officers from the enterprises and Management Company experts. The working group determined the following main tasks:

- in cooperation with "Consortium Russian Steel", a non-profit organization, to work with the state authorities to prepare proposals for greenhouse gas emissions regulation in Russia;
- to develop and implement a greenhouse gas emissions control system at all of the Company's enterprises.

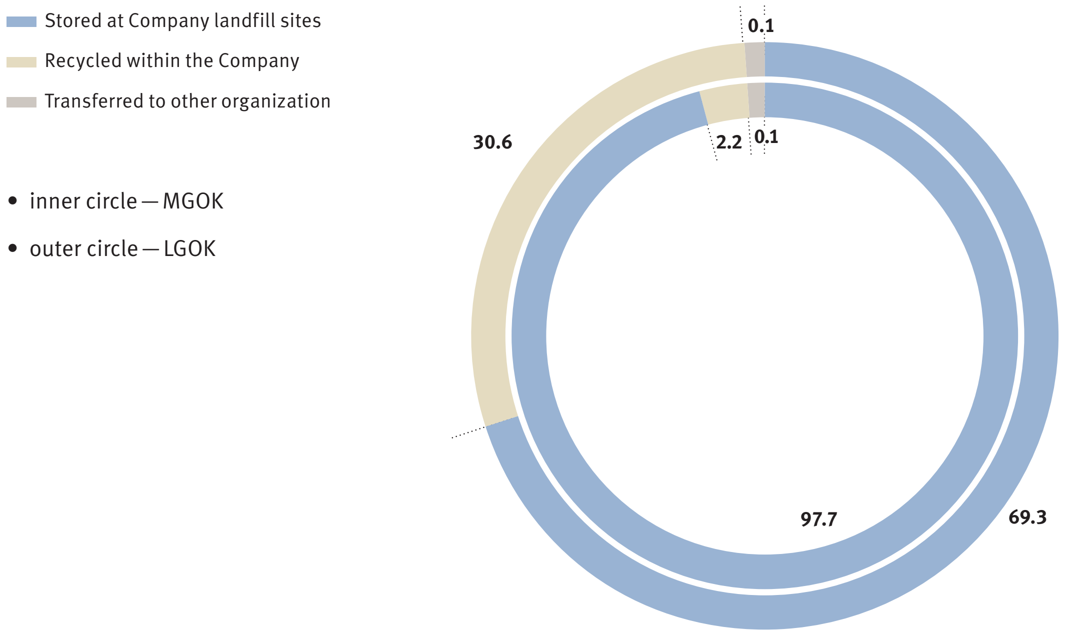
5.3 Efficient waste treatment

The majority of industrial waste is formed during iron ore production and extraction, as well as during the conversion stage:

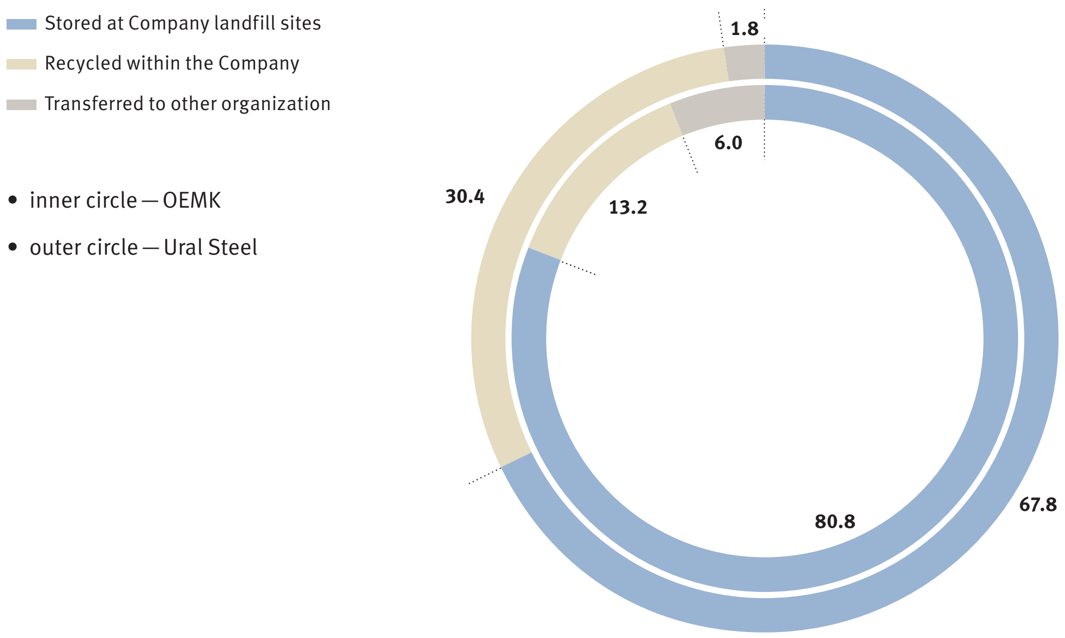
- at mining enterprises: waste, overburden, mill tailings, sludge, ash and slag waste, nonconforming materials;
- at steel enterprises: sludge from steelmaking and the blast furnace shop, iron sludge.

In accordance with the requirements of environmental legislation on minimizing damage to the environment, part of the waste, especially from mining and processing, such as sludge, is processed at the Company's plants or stored at landfill sites on the Company's land. Other waste, primarily from steel production, is handed over to specialist organizations who acquire the waste and the rights for further recycling.

Waste disposal methods in the Mining Segment in 2014*, %



Waste disposal methods in the Steel Segment in 2014**, %



* The percentage of waste by disposal type in 2014 remained practically unchanged from 2013 (the differences were below 1%).

** The percentage of waste by disposal type in 2014 remained practically unchanged from 2013 (the differences were below 1%).

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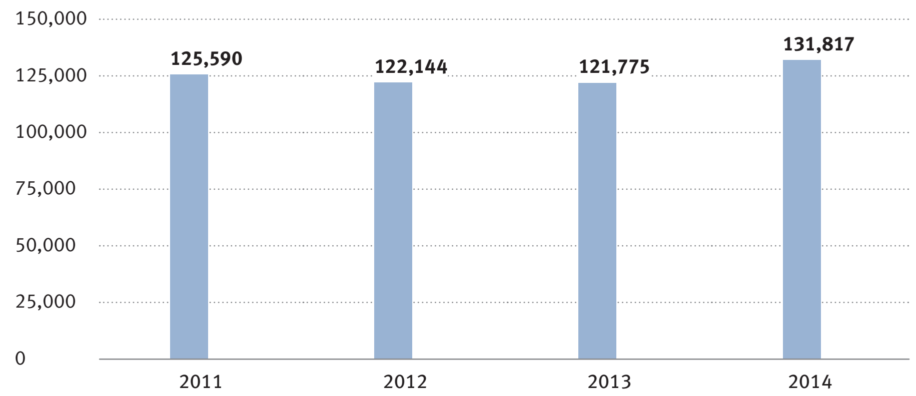
The Company's enterprises implemented the following measures during the reporting period to dispose of waste sustainably:

- A mobile crushing and sorting complex (CSC) was put into operation at LGOK to efficiently recycle mining and processing production waste.
- Ural Steel continued to build an industrial waste landfill. It obtained permission to build the landfill in 2013. The commissioning of the facility will increase the environmental safety of production at the enterprise.

In the period from 2011 to 2013, there was a trend towards reduction of the overall volume of waste generated by the Company's enterprises. An increase in the volume of waste by 8% in 2014 as compared to 2013 was due to high output at LGOK resulting in an increase in the amount of overburden, which presents a low risk to the environment*. The Company's mining enterprises generate the largest share of waste (about 98%).

Waste generated in 2011–2014, thousand tons



* In accordance with the classification of production and consumption waste in Federal Law #89-FZ dated 06/24/1998 (ver. dated 06/29/2015) "On Production and Consumption Waste".

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5.4 Water use

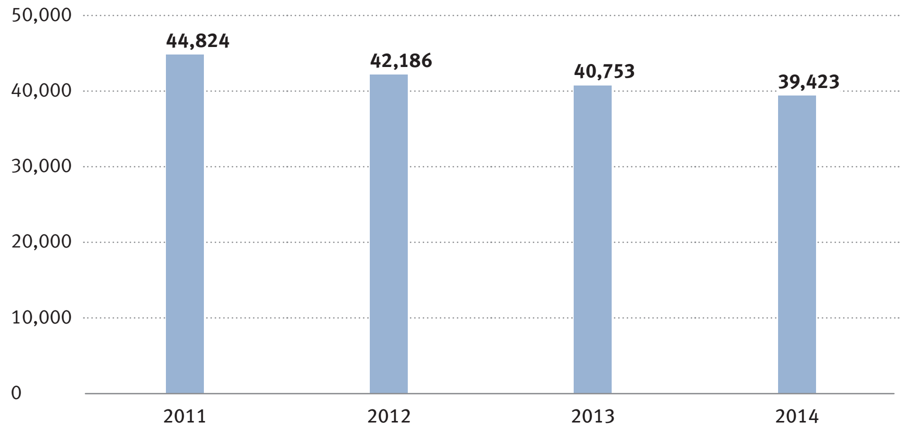
Metalloinvest's approach to the use of water resources is driven by a desire to reduce water intake from natural sources, by switching to water recycling, and improve the quality of wastewater treatment.

Reduction of surface water intake

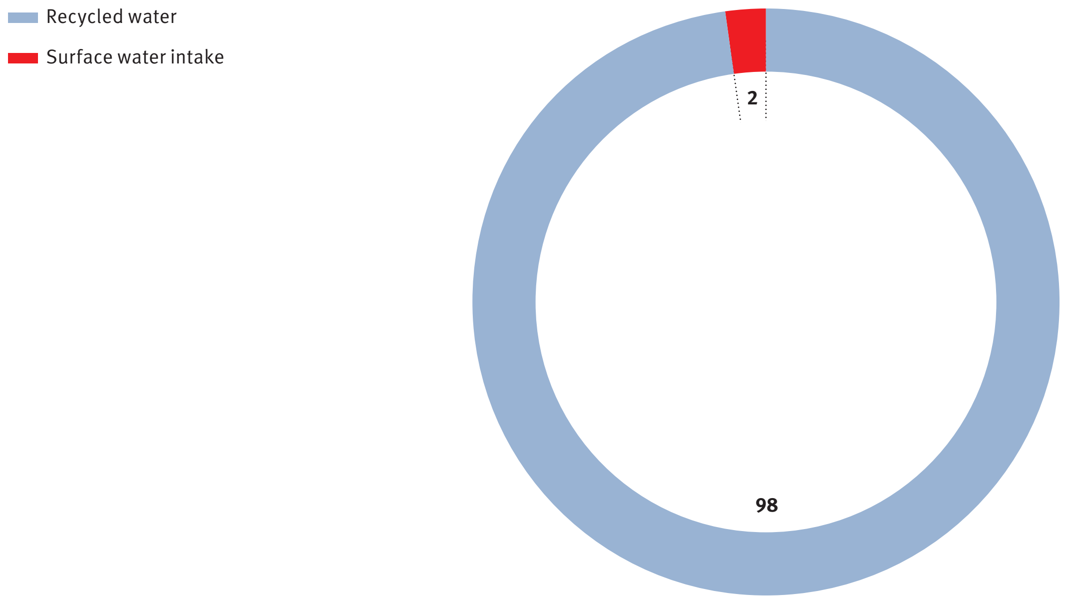
The company annually reduces its surface water intake from external sources, increasing the proportion of recycled water use. In the reporting period, OEMK completed the construction of a water recycling system. The volume of surface water intake in the reporting period decreased by 7% as compared to 2011–2012.

In 2013–2014, the volume of water recycled and reused by the Company totaled 3,453 million m^3, while the volume of surface water intake amounted to 80 million m^3.

Surface water intake in 2011–2014, thousand m^3



The share of surface water intake and use of recycled water in 2013–2014, %



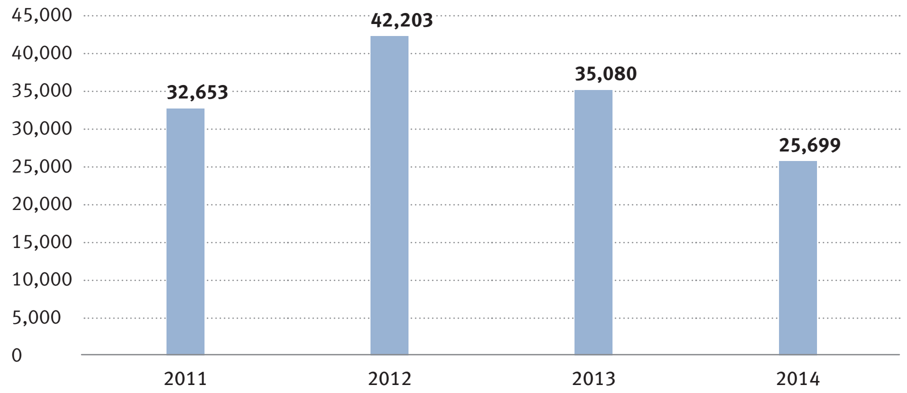
Wastewater management

As part of ongoing initiatives to improve the quality of wastewater treatment, OEMK put into operation a modernized wastewater treatment unit in the reporting period. MGOK organized a collection and diversion system for drainage water from dump grounds. Following the implementation of these measures, the Company stopped discharging drainage water into the river in the second half of 2013, and wastewater is now stored in special facilities — settling ponds.

As a result, the volume of wastewater discharge into surface waters by the Company's enterprises in the reporting period decreased by 19% as compared to the previous period. Currently, the volume of wastewater discharge into water bodies is slightly more than 1% of the volume of recycled water.

Lebedinsky GOK, ecologists at work

Volume of wastewater discharge into surface water in 2011–2014, thousand m^3



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5.5 Energy consumption and energy efficiency improvements

During production, the Company consumes the following non-renewable sources of fuel*:

- natural gas;
- fuel oil;
- coking coal;
- diesel fuel.

The bulk of fuel energy consumption by the Company's enterprises is accounted for by natural gas, the burning of which produces the least negative impact on the environment as compared to other fuels. Moreover, in the reporting period, the Company reduced its use of coal (by 13% as compared to 2011–2012) and fuel oil (by 38% accordingly) as energy sources, thus significantly reducing emissions.

Fuel energy consumption from non-renewable sources in 2011–2014

Title	2011	2012	2013	2014
Coal, tons	1,994,887	1,711,112	1,614,134	1,619,194
Fuel oil, tons	24,147	11,692	2,116	2,239
Natural gas, thousand m^3	3,574,890	3,567,841	3,424,406	3,293,786
Diesel fuel, tons	63,214	64,926	67,968	73,512

In 2013 and 2014, the amount of electricity consumed amounted to 10,572 and 10,629 GWh, respectively. Reduced energy consumption in the reporting period was a result of the ongoing introduction of energy-saving technologies and use of by-products of industrial processes as a source of electricity at the Company's enterprises.

* Metalloinvest does not consume energy from renewable sources.

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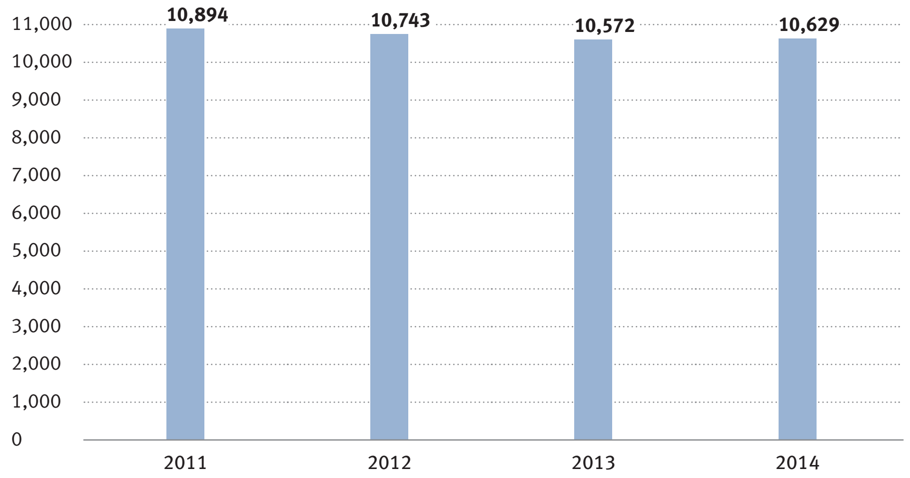
Electricity consumption in 2011–2014, GWh



Metalloinvest's enterprises focus on constant improvement of automated commercial and technical reporting systems to control and keep monthly records of energy consumption. The reports serve as the basis for analysis of specific energy consumption indicators.

Since 2012, all of the Company's enterprises ran energy saving and energy efficiency programs aimed at:

- conducting repairs and optimizing the use of equipment and machinery;
- modernizing energy supply systems;
- introducing energy-saving lighting systems;
- modernizing power supplies to mining and transport complexes;
- modernizing boiler and compressor equipment;
- developing energy recording and control systems.

Furthermore, the Company organizes annual competitions among its employees for the best innovation in the field of energy conservation and efficiency. In 2014, the competition's prize fund amounted to 1.4 million rubles. OEMK and Ural Steel employees won the competition with their innovations to improve energy efficiency in the steel production and lime burning. Other submissions contained proposals related to the use of waste gas heat, a reduction of heat losses in discharged purge waters, and a change in the air compressor performance management system. Thus, enterprises' employees made a significant contribution toward improving the Company's energy efficiency.

As a result of measures to improve energy efficiency, the total energy consumption (coal, fuel oil, diesel fuel) in the reporting period as compared to the previous one decreased by 13%, and natural gas consumption fell by 6%.

Electricity generation at Ural Steel

Ural Steel has its own combined heat and power CHP plant, which generates 50% of the energy required for the enterprise. In addition to the production of electric and thermal energy (steam and hot water) for Ural Steel, the CHP plant provides heating for housing in the nearby town of Novotroitsk to supplement communal heating sources.

Ural Steel's own facilities guarantee the energy security of the enterprise, allow for the most efficient use of existing energy resources and associated gases from steel production, and reduce emissions.

5.6 Plans for 2015 and the medium term

Since 2014, the Company's enterprises have continued to carry out scheduled and capital repairs of environmental protection equipment, and implement environmental protection projects as part of the Company's investment program, carry out comprehensive evaluations of all existing facilities that have a negative impact on the environment, and develop corporate environmental security programs.

In 2015 and in the medium term, the Company's efforts will be focused on the development of internal EP documents and their implementation:

- development and implementation of consolidated corporate EP reporting;
- development and implementation of a unified program for hazardous substance management at all of the Company's enterprises;
- development and implementation of a corporate method for the calculation of greenhouse gases/carbon footprint;
- development and implementation of a corporate program to manage contractors in the area of environmental protection.

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MORE THAN 4 BLN RUBLES

are allocated to social programs for employees and their families

6

EMPLOYEES

6.1 Approach to human resources management

Metalloinvest is a major employer in the Belgorod, Kursk and Orenburg regions, where the Company's main assets are located. The Company cares about the well-being of its workers and their families and is committed to providing safe, secure and healthy working conditions. The Company's relationship with its employees is based on a promise to safeguard their health and provide regular opportunities for their development and career growth as well as ensure appropriate remuneration for their labor.

STRATEGIC OBJECTIVES AND PRIORITIES OF HR AND SOCIAL POLICY

- Providing the Company's enterprises with high-quality labor resources
- Forming effective HR management tools
- Improving the social support system for workers and their families, as well as for retired employees (pensioners)

The main priority of Metalloinvest's HR policy is to build a transparent human resources management system to provide qualified personnel that are motivated to achieve the Company's targets in terms of its production needs and strategic projects.

Metalloinvest aims to incorporate new methods of workplace organization, employee selection and adaptation, and professional training and development, and creates conditions that help identify employee potential and increase engagement.

The Company has a standard collective agreement which applies to all of the Company's employees to guarantee their right to safe working conditions, labor remuneration and the provision of social programs. An important event in 2013 was the signing of new collective agreements for 2014–2016 at all of the Company's enterprises based on a new version of the standard collective agreement.

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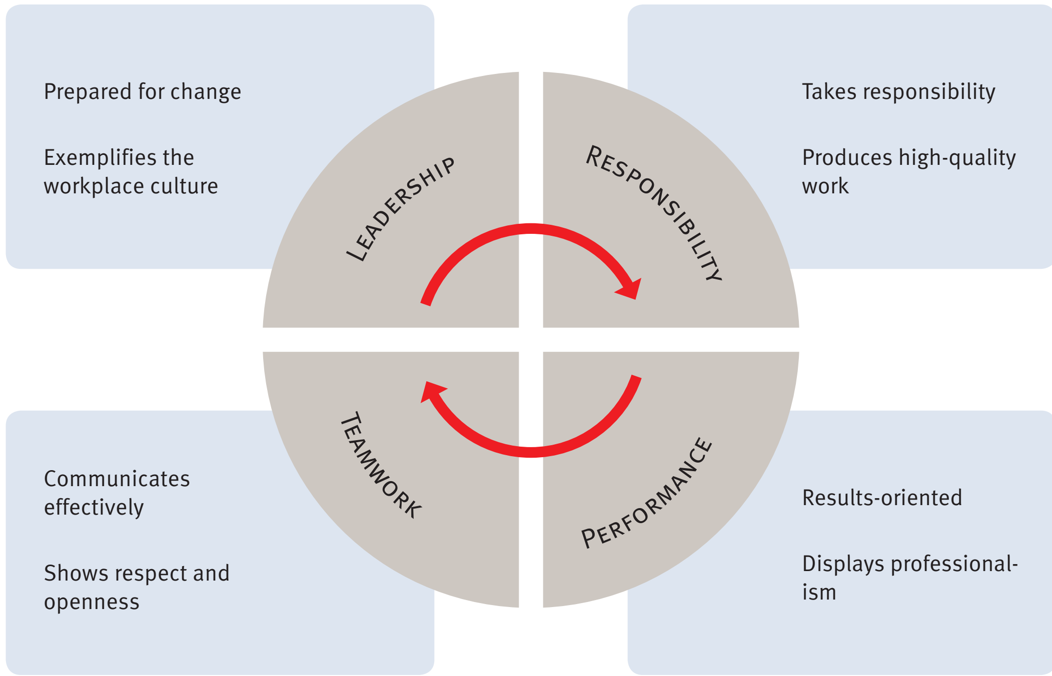
Corporate Competency Model

In 2014, Metalloinvest developed a Corporate Competency Model based on its values in order to increase employee productivity. The program sets out eight corporate competencies that are in line with the Company's values:



In order to collect the data and create competency models, OEMK and MGOK conducted focus groups with foremen, section and site leaders, department directors and heads of structural units, as well as meetings with managers and personal interview with divisional heads. The Management Company held discussions with members of the Management Board and organized focus groups with department directors.

The Management Company conducted professional and personality tests at LGOK, MGOK, Ural Steel and OEMK to ensure that the results obtained from interviews and focus groups were accurate. A total of 1,180 Metalloinvest unit heads completed the tests. In addition, the Management Company and MGOK assessed their management teams.

6.2 Employee breakdown

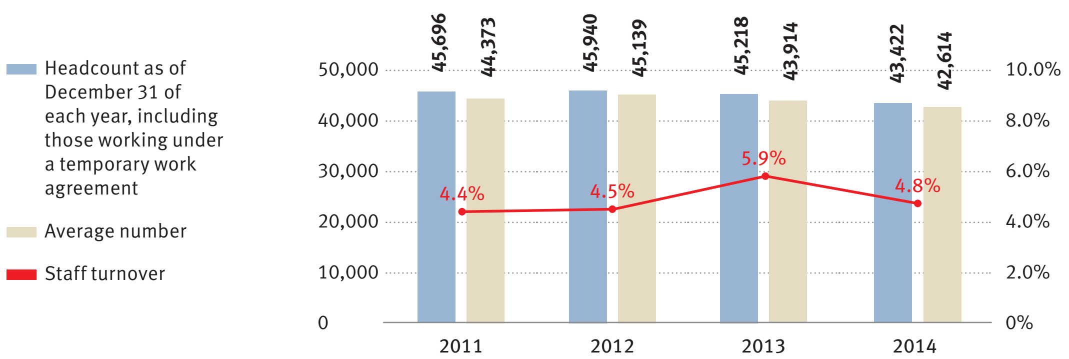
The reorganization of production at Ural Steel resulted in a decrease in the average number of employees at LGOK, MGOK, Ural Steel and OEMK from 43,900 in 2013 to 42,600 in 2014.

The Company adheres to a policy of upholding the rights and interests of workers who are made redundant. In the process of reducing staff numbers at Ural Steel, the Company implemented a “soft” redundancy program, aimed at retaining skilled employees and supporting workers above the level required by law. Workers released as a result of the reorganization at Ural Steel were offered employment opportunities at the Company’s other enterprises.

Almost all of the Company’s employees work full-time (99.6%) under indefinite-term employment contracts (96.9%). In the reporting period, 98% of male employees and 90% of female employees were covered by indefinite-term employment contracts.

Staff turnover at all enterprises is at an optimum level, which makes it possible to replace departing employees in good time. In 2013 and 2014, the staff turnover rate was 5.9% and 4.8%, respectively. The lowest turnover occurs among employees between 30 to 50 years old. This is the predominant age group at the Company’s key enterprises.

Staff numbers and turnover in 2011–2014, persons



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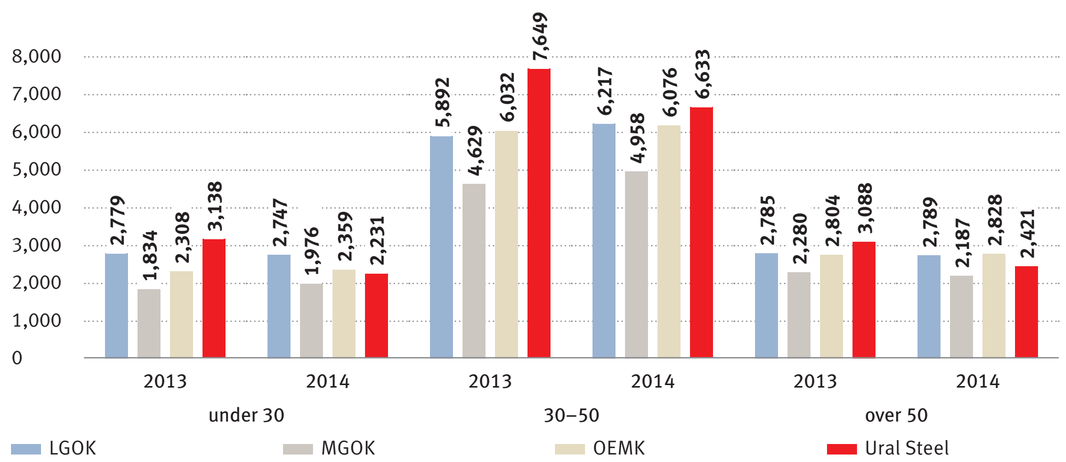
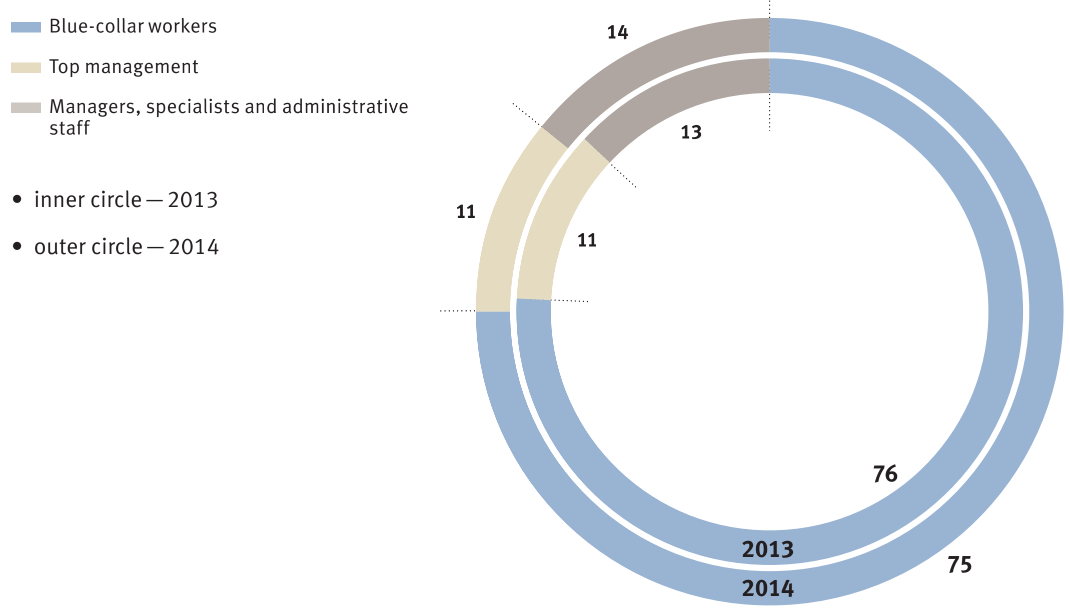
Employee breakdown by age and by key enterprise in 2013–2014, persons



Blue-collar workers are the largest worker category at the Company (over 70%).

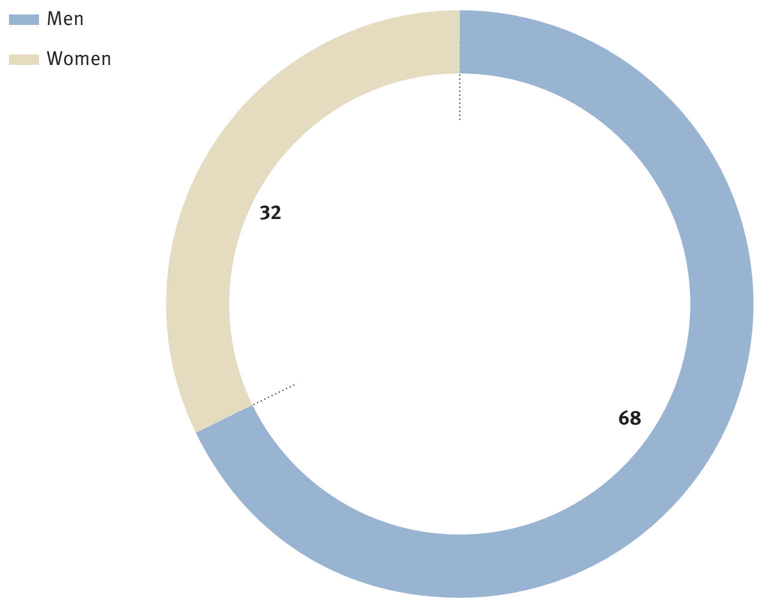
Due to the nature of the Company’s operations, male workers make up the majority of employees*. At the end of the reporting period, the gender composition of employees at LGOK, MGOK, Ural Steel and OEMK remained unchanged.

Employee breakdown by category in 2013–2014, %



* In 2011–2012, the employee structure by gender and category at key enterprises was practically the same as in 2013–2014 (the difference amounted to fractions of a percent).

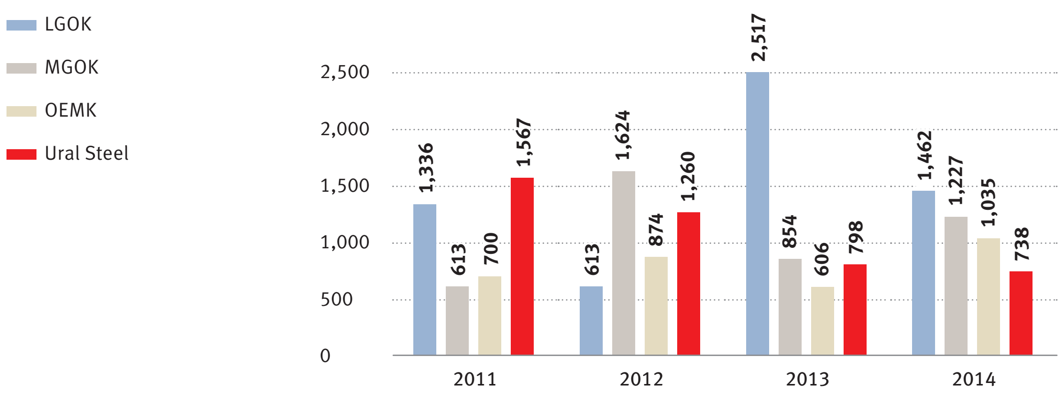
Gender composition of employees in 2013–2014*, %



6.3 Recruitment

The company seeks to recruit and retain qualified employees, especially young professionals.

Number of new hires in 2011–2014, persons



* Data for 2013–2014 is practically the same (the difference amounted to fractions of a percent).

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In 2013, Metalloinvest was ranked 36th in Engineering's Top 100. This was the first time that Metalloinvest made the list, which ranks employers based on the opinion of students at leading universities.

Working with young people

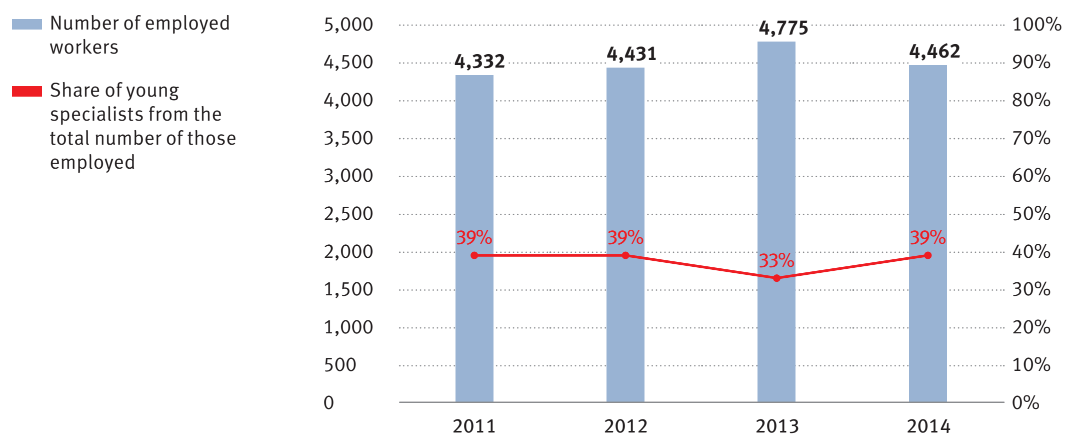
In order to increase the interest of young people in technical professions, the Company has developed a continuous education program covering schools, secondary schools and institutions of higher education.

Since 2013, the Company has awarded grants to secondary schools, which are designed to support educational institutions in training young people to work at Metalloinvest's enterprises. The criteria used to determine which schools receive grants are based on the number of graduates that enter educational institutions (of higher and secondary education) to study in professions applicable to the Company.

The Management Company provides student support through a scholarship program. The best graduate students from the Moscow Institute of Steel and Alloys who study engineering receive personal scholarships and are the first to be invited to interview at the Company.

Young professionals made up more than a third of those employed by the Company.

Young professionals employed at key enterprises in 2011–2014, %



6.4 Employee pipeline

In 2013, MGOK began to develop its approach to selecting individuals for its employee pipeline and planning their further professional development. The mining equipment repair plant and the rail transport administration were selected to test and adjust the approach that will later be used as the blueprint for recruiting for the employee pipeline.

The requirements of the employee pipeline are based on the Company's organizational structure, analysis of the age of staff and the employee rotation ratio, as well as the Company's long-term plans.

The Company's employee pipeline is divided by

LEVEL

- Managerial pipeline
- Worker pipeline

APPOINTMENT TERM

- Short term (1 year)
- Medium term (2–3 years)
- Long term (over 3 years)

In 2014, 657 managers and specialists in the employee pipeline for managerial positions received training. 1,196 members of staff received training in preparation for joining the worker-level pipeline.

In 2014, a coherent policy was created to organize the employee pipeline for all managed companies, which will provide the Company with human resources for 1 to 3 years.

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6.5 Training and development

Metalloinvest attaches great value to the professional growth of its employees and aims to ensure that workers are suitably qualified in line with the Company's future needs. To achieve this, it operates a system of continuous training.

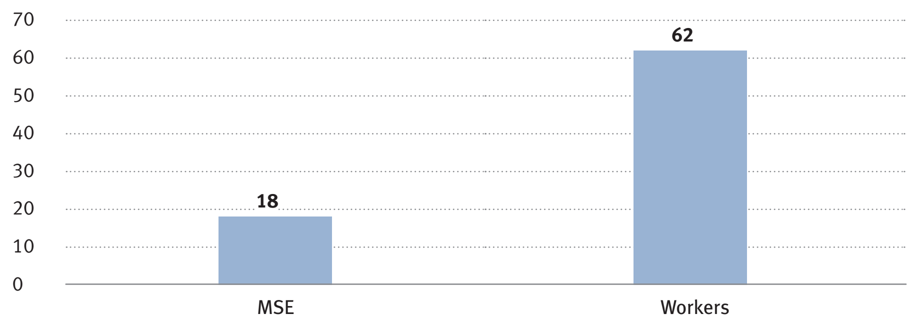
The corporate training system includes programs focused on blue-collar workers, specialists and administrative staff, as well as management.

In 2014, training costs increased to 49,742 thousand rubles from 40,830 thousand rubles in 2013.

Employee training in 2011–2014

Item	Units	2011	2012	2013	2014
Training costs	thousand rubles	26,880	32,034	40,830	49,742
Number of trained employees	persons	35,611	34,869	34,898	31,696
Average training expenditure per member of staff	rubles	755	919	1,170	1,569

The average annual number of training hours per member of staff by category in 2014, man-hours*



Both mandatory and additional training is provided for the Company's employees at educational centers on site at Metalloinvest's enterprises. In the most recent reporting period, MGOK, OEMK and Ural Steel training centers gained licenses to conduct educational activities, as LGOK did in 2013. In 2013, the LGOK Training Center received additional licenses in 13 new professional areas, such as: compressor unit operation, outer pipe fitting, gas cutting, size reduction equipment assembly, and electric welding of manual welds.

* Before 2014, the information was not collected from this point of view.

Corporate training

During the reporting period, over 1,500 top- and mid-level managers took part in training to develop their key managerial skills, such as planning, delegation, control, motivation, distribution of tasks. Part of the first Strategic Session for Metalloinvest's top leaders included business training to strengthen skills in strategic planning, communications and team work.

The "Development of Engineering Workers in 2012–2014" Presidential Program created by the Russian Ministry of Education and Science and implemented with the Moscow Institute of Steel and Alloys has enabled engineering staff to gain further qualifications. In 2013–2014, management staff had practical training involving site visits to Russia and foreign production sites operated by companies such as Severstal, MMK, Kachkanarsky GOK, BSE (Germany), Rio Tinto and BHP Billiton (Australia).

As part of "Modernization of the state education system of primary and secondary vocational education institutions, under the jurisdiction of the economic development departments of the Belgorod and Kursk regions for 2012–2014" long-term program, tripartite cooperation agreements were signed between the governments of the Belgorod Region and Kursk Region, Metalloinvest and target secondary education vocational institutions. The agreements cover cooperation between the parties aimed at the development of basic infrastructure, as well as the creation of favorable conditions for training qualified personnel and mid-level professionals at regional autonomous secondary education vocational institutions.

Distance learning

The initiative to implement a distance learning system was further developed in 2013–2014. In particular, a licensed training system for occupational health and safety, "Termika," was installed in 2013 at the Company's key enterprises: LGOK, MGOK, OEMK and Ural Steel. In 2014, Web Tutor, a distance learning system, was installed at MGOK, LGOK, Ural Steel and the Management Company.

Professional skills competitions

Holding professional skills competitions can add prestige to an occupation, support the exchange of experience within the Company and improve professional skills.

During the reporting years, the 2nd and 3rd Corporate Professional Skills Competitions were held at the Company's key enterprises in nine fields including steelmaking, mining, and general categories. 84 people took part in the contest.

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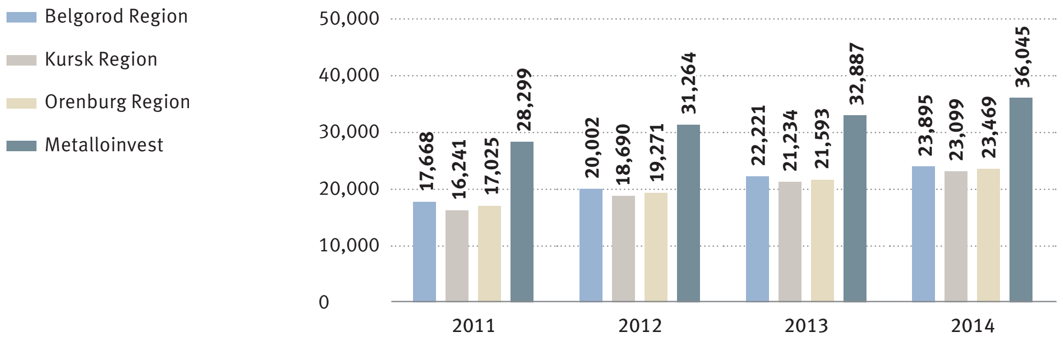
OEMK employees at work

6.6 Remuneration system

Metalloinvest is committed to providing competitive salaries to its employees. The average monthly salary at LGOK, MGOK, OEMK and Ural Steel grew by 10% year-on-year in 2014.

The average monthly income of workers at the Company's production facilities exceeds the average monthly income in the following regions: in the Belgorod Region — by 51% (LGOK) and 66% (OEMK), in the Kursk Region — by 50% (MGOK), and in the Orenburg Region — by 44% (Ural Steel).

Average monthly income of the Company's staff compared to the average monthly income in the respective surrounding regions in 2011–2014, rubles*



* The source of data on average monthly income in local regions is the Federal Service of State Statistics (Rosstat).

The Company introduced a system to set remuneration levels in 2014 in order to increase transparency in line with international best practice. The system takes into account the level of each position (grading system) and enables the Company to react to trends in the labor market.

As part of the project, 143 positions and over 200 groups of positions were described and assessed in 2014 at MGOK and the Management Company. Four assessment committees were created to evaluate the positions under review. In the Management Company, a top-level committee was formed that included members of the Management Board and other managers according to their function. Heads of departments formed another committee to assess the groups of positions. At MGOK, the top-level committee is composed of the enterprise's management, while the committee for assessment of the groups of positions consists of line managers.

In 2014, the Company implemented a system to establish common operational goals for all of the Company's general managers and individual goals for each appropriate area by function. The system encompasses over 100 key leaders within the Management Company, as well as the main managers at the following enterprises — LGOK, MGOK, OEMK and Ural Steel.

In 2014, based on the grading system, labor market trends and the new goal-setting initiatives, a system of labor remuneration was developed for Management Company staff and management at all of the Company's enterprises. The new system will be put into operation in 2015.

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6.7 Social support for employees

A system of social programs is in place at the Company, which aims to encourage long-term motivation through targeted social benefits. All social programs and benefits cover both full-time and part-time employees.

The main principles of social programs for employees and their family members, as well as retired workers (pensioners)

A common approach to social benefit provisions for workers and their families

Maintaining the basic guarantee (in accordance with the Industry Tariff Agreement and legal requirements)

Improving the effectiveness of the additional benefits provided by the enterprises on a voluntary basis

Taking into account regional specifics and traditions in the formation of unique benefits

Classification of local enterprise regulations governing issues of social support for the Company's employees and their families

Increasing the engagement of employees and their motivation to achieve the objectives of the Company

Improving the efficiency of social spending by better targeting benefits and coordinating approaches to the provision of social support

The composition of social programs for employees and their family members, as well as a prioritized list of social programs for staff support, is given below.

PRIORITY SOCIAL PROGRAMS

- Treatment and healthcare for workers and their children
- Support for parents and families
- Support for labor veterans and pensioners (retired employees)
- Maintenance and development of social facilities

THE COMPOSITION OF SOCIAL PROGRAMS FOR WORKERS AND THEIR FAMILIES

- Medical care, rehabilitation and recreation for workers
- Health improvement and recreation for employees' children
- Financial assistance for employees and their families
- Incentive payments (non-production)
- Arranging sporting and cultural events for employees and their families
- Catering for workers
- Arrangements for carrying workers to and from work
- Other social programs

The Company annually increases its expenditure on internal social programs. In 2013, social expenses amounted to 1,962 million rubles, and in 2014 — 2,015 million rubles. On average, the amount of social support (in monetary and non-monetary forms) per member of staff was 45,000 rubles in 2013 and 47,000 rubles in 2014.

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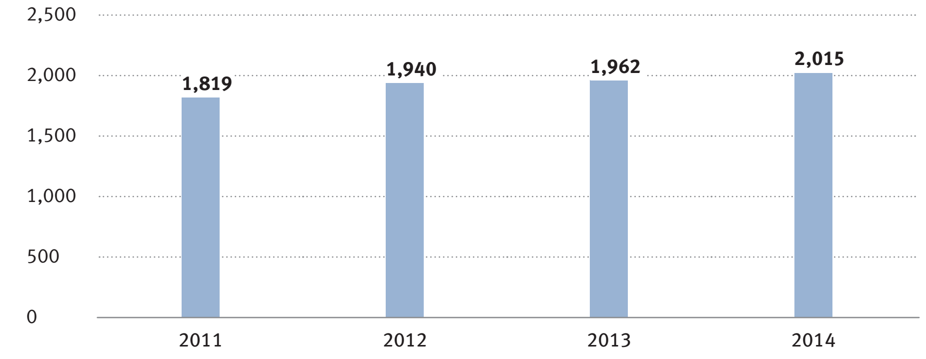
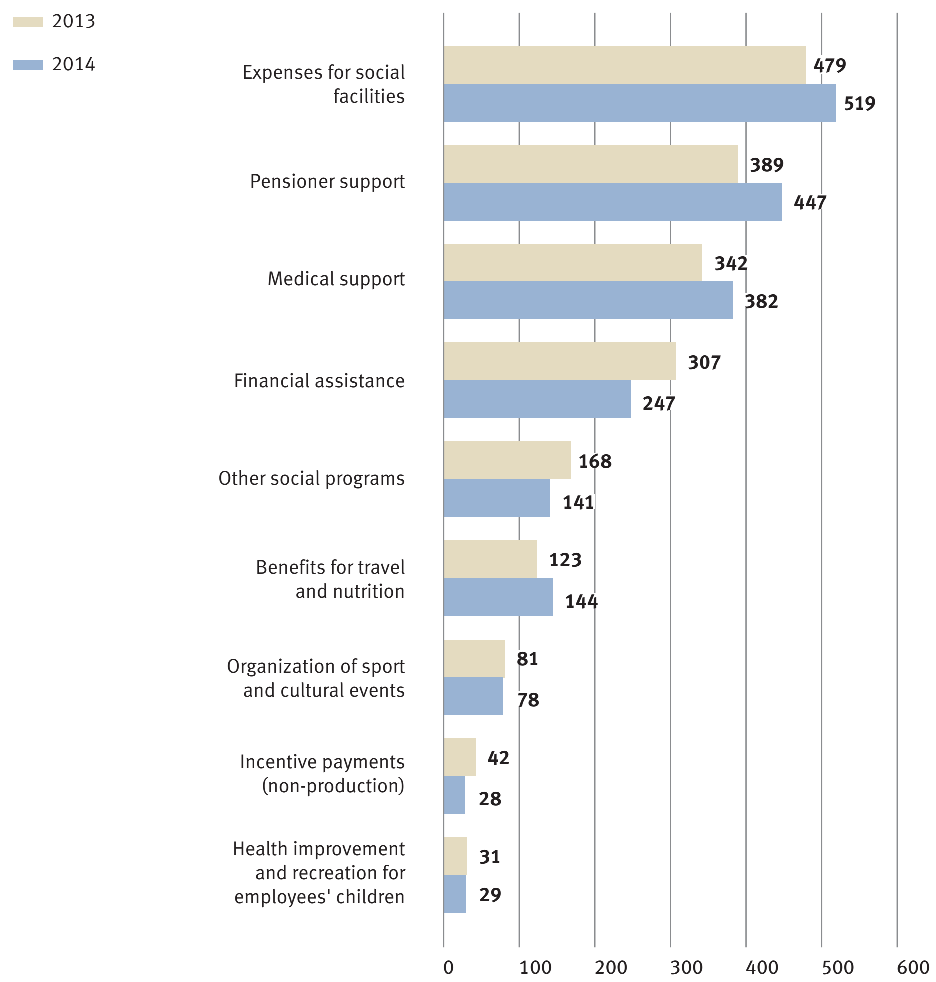
Expenditure for internal social programs in 2011–2014, million rubles



The majority of the Company's social expenses in the reporting period were allocated to supporting pensioners, maintaining social facilities, to medical care and the rehabilitation of workers, as well as to the provision of financial assistance to employees and their families.

Expenditure for social support programs for employees and pensioners (retired workers) in 2013–2014, million rubles



Participants in the “Healthy Child” program, Gubkin

During the reporting period, the Social Council, which is a social and labor partnership between employees and the Company, continued work on the formation of unified corporate standards of social assistance. In 2014, a standard provision was developed and approved in order to ensure a unified approach to providing social assistance, payments, guarantees and compensation for employees and their families.

The development of unified standards for medical care, nutrition, and other social institutions, started at the Company. In 2013, an audit was conducted using a unified model of medical institution management. The audit resulted in the formation of a specialized medical service with representatives at each of the Company’s production facilities.

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6.8 Plans for 2015 and the medium term

Metalloinvest strives to continuously improve human resources management and develop social programs. In order to achieve this, the Company has implemented a number of measures that are outlined below:

- unification of labor remuneration systems at the Company’s enterprises;
- implementation of a unified system of non-financial motivation at the enterprises;
- amendments to the structure of functions within the Company to form unified management principles on the basis of the unified information system;
- evaluation of positions at LGOK, OEMK and Ural Steel according to the grading system;
- implementation of standard regulation on labor remuneration and bonuses;
- application of a competence model on employment, promotion and assessment of Company staff and managers (initially, for foremen);
- increase in the number of participants in the goal-setting system to 500 managers, including line managers of the Management Company and heads of departments at the enterprises;
- development and implementation of a standard provision for pensioners’ (retired workers) social assistance;
- development and implementation of unified standards for catering arrangements.

BY
11%

Social investments
in local regions
increased

7

DEVELOPMENT OF LOCAL REGIONS

7.1 Approach to regional development

Metalloinvest recognizes its role in contributing to the sustainable development of the regions where it operates and seeks to continuously expand and improve its programs which are aimed at economic development in the regions, creating a favorable social and cultural environment, improving living standards, implementing advanced practices to resolve acute social problems and contributing to a cleaner environment.

Historically, Metalloinvest's enterprises have had a considerable influence on the development and social climate of their towns where they operate (Gubkin and Stary Oskol in the Belgorod Region, Zheleznogorsk in the Kursk Region and Novotroitsk in the Orenburg Region), and they have participated in the resolution of social problems both locally and regionally. As part of its corporate social responsibility strategy, the Company aims to promote a positive social and cultural environment that is favorable for its workers, as well as provide resources for robust and sustainable social and economic development in local regions. This cannot be attained without being a successful, economically sustainable and competitive business as it allows the creation of well-paid and safe jobs, increased investment in the modernization and development of production, and produces a significant impact on local and regional budgets through tax payments.

Metalloinvest's contribution to the sustainable development of regions consists of the following:

- regular tax payments;
- maintaining stability in the labor market;
- investment in production to modernize facilities and reduce the Company's environmental footprint;
- purchasing products and services from local manufacturers;
- implementing social programs for workers and local residents.

SEE MORE DETAILS ABOUT THE INTERNAL SOCIAL POLICY IN THE SECTION "EMPLOYEES". P. **75**

When working with the regions, the Company adheres to the following principles:

- Bringing exclusive intellectual resources to the regions: the Company works closely with non-profit organizations and foundations, as well as research institutes, that all have great experience and access to innovative technologies and pioneering methods to tackle social problems.
- Widespread involvement of stakeholders: this includes local residents, experts, company employees, and relevant authorities. Each stakeholder group determines its own level of participation.
- The principle of sustainability: to encourage civic participation and the development of the non-profit sector, the Company creates social programs which envisage active involvement of local organizations and residents to develop and lead these programs in the future.

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Andrey Varichev,
Chief Executive Officer

> "Financial support is very important, but business now is about more than that. We are committed to providing intellectual and managerial resources and expertise in order to address social issues. This strategy has already been successful and has allowed us to improve our performance".

As a result, Metalloinvest supports the socio-economic development of local regions by implementing targeted programmes to address existing issues.

Social and economic partnership agreements

The sustainable development of local regions is crucial for both the areas themselves and the Company's key enterprises. In 2011, Metalloinvest and the administrations of local towns and regions signed tripartite socio-economic partnership agreements, valid for five years. The social partnership programs assess the key joint projects and each individual partner's contribution on an annual basis.

The Company's agreements with the local authorities ensured a structured approach to meeting the most socially important needs in the regions. When working on joint projects, Metalloinvest ensures that synergies are created by sharing financial resources, managerial opportunities and professional experience.

Metalloinvest divides its programs into two categories, both of which are implemented as part of socio-economic partnership agreements: development programs and social infrastructure programs.

Categories of external social programs

DEVELOPMENT PROGRAMS	SUPPORT AND DEVELOPMENT OF SOCIAL INFRASTRUCTURE PROGRAMS
Focused on reforming and developing territories or certain areas of public life	The content of the programs is determined by regional specifics and issues
School of Communal Good Creativity School School of Aspiring Entrepreneurs Women's Health Healthy Child Our Town Initiatives Supporting Critically Ill Children Start in Life Our Future Our Champions Zhelezno!	• **Town projects** — support for projects initiated by the town administrations (co-financing) • **Regional projects** — support for projects initiated by local authorities of the Russian Federation (co-financing)

Investments in external social programs

In 2013–2014, Metalloinvest increased its investment in external social programs by 11%, totaling 2,859 billion rubles*. Investments in social programs in the Orenburg Region have increased to 442 million rubles in comparison with 273 million rubles in 2011–2012.

Metalloinvest invests in its own social programs and supports those that are initiated by non-profit and public organizations worldwide**. The main areas of investment during the reporting period were sports, including at youth level, improving education and enhancing local social and cultural environments.

* The data encompasses the activity of all organizations controlled by METALLOINVEST HC OJSC.

** Metalloinvest allocated 448 million rubles in 2011–2012 and 473 million rubles in 2013–2014 to the implementation of charity projects outside local regions.

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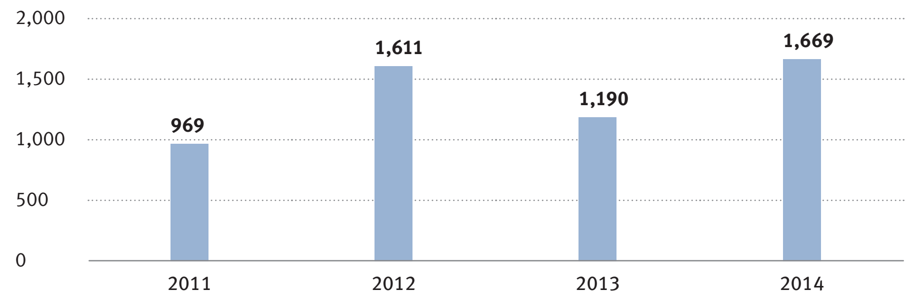
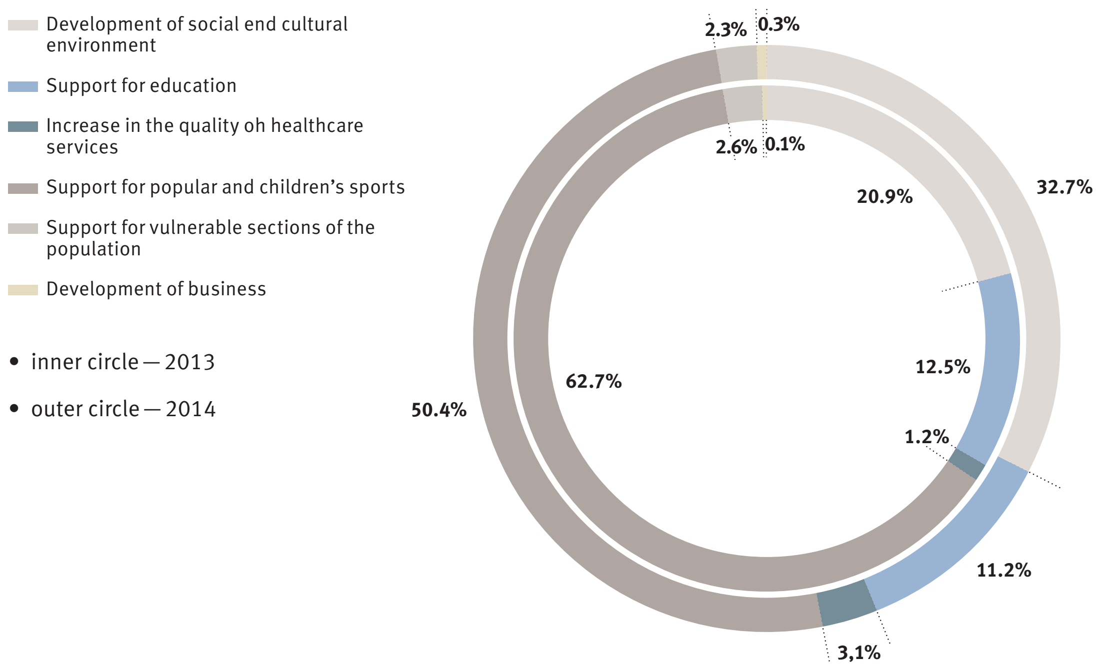
Total investments in external social programs in 2011–2014, million rubles*



The data encompasses the activity of all organizations controlled by METALLOINVEST HC OJSC*



* The data encompasses the activity of all organizations controlled by METALLOINVEST HC OJSC.

School of Communal Good (SCG) participants at a meeting in Moscow

7.2 Results of external social programs

The strategic focus of external social programs is to reduce budget expenses and create infrastructure support programs with modern development projects that incorporate effective social technologies and best practices to address local social issues.

Implementation of external support programs and social infrastructure development programs

Metalloinvest actively supports infrastructure projects initiated by regional governments and local authorities, and it also implements its own programs for the repair, construction and modernization of various important social infrastructure facilities.

* The data encompasses the activity of all organizations controlled by METALLOINVEST HC OJSC.

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Key external projects in the sphere of social infrastructure support and development by implementation area

Area	Description	Key projects in 2013–2014
Increasing the quality of healthcare services	Metalloinvest serves as a partner and supports regional programs for medical development in local regions. As part of the programs, funds are allocated to acquiring medication, providing expensive medical equipment to hospitals, training staff and conducting major repairs work at medical institutions.	Major repairs to GAUZ Municipal Hospital #1 (Novotroitsk) Recruitment of professional medical specialists (Zheleznogorsk) Provision of modern equipment for Gubkin Children's Hospital (Gubkin)
Support for education	Metalloinvest actively supports education, human resources management and the technical and material development of educational institutions. Special grants have been created for young teachers, as well as the "Prizvanie" award for those who have devoted their lives to the teaching profession.	Major repairs of the geological and exploration technical school (Stary Oskol) Reconstruction of the main building of NUST "MISiS" (Stary Oskol) Support for Belgorod State University (Belgorod) Creation of the "Zhelezno!" educational and career guidance center (Stary Oskol) Repair and reconstruction of schools and kindergartens (Zheleznogorsk, Stary Oskol, Gubkin)
Support for sports	Metalloinvest is involved in the development of sporting infrastructure (reconstruction and building of gyms, stadia and other venues), support for popular sports, including children's sports, and the development of professional athletes.	Construction of the Ice Palace (Novotroitsk) Assistance in developing the Belogorye volleyball club (Belgorod) Assistance in developing Nosta FC Assistance in developing the Dinamo basketball club (Kursk) Supporting the development of sports schools and clubs, as well as military and patriotic clubs (Zheleznogorsk, Stary Oskol, Gubkin, Novotroitsk)
Creation of an improved social and cultural environment	Metalloinvest finances the repair and reconstruction of roads and crossovers, the aesthetic improvement of streets and parks, the building and restoration of historical heritage sites, and assistance to cultural institutions.	Reconstruction of the Sputnik Leisure Center (Gubkin) Reconstruction of a municipal park (Novotroitsk) Construction of "Poklonnaya Heights 269" memorial complex (Kursk Region) Construction and reconstruction of roads (Gubkin, Stary Oskol, Zheleznogorsk) Support for children's performance groups: purchasing musical instruments and costumes, and financing trips to creative competitions (Stary Oskol, Gubkin)
Supporting vulnerable members of society	Metalloinvest provides targeted assistance to orphaned children, dependent and large families, veterans, the disabled, and it is a sponsor for a number of children's homes.	Supporting the "World of Childhood" Regional Charity Marathon (Kursk Region) Supporting regional departments of the All-Russian Society of the Disabled, All-Russian Society of the Blind, Russian Red Cross, etc. Support for the Verkhne-lyubazhskaya Boarding School (Zheleznogorsk), Novoandrosovsky Children's Home (Zheleznogorsk), Special General Education Boarding School (Novotroitsk), etc.

Implementation of external corporate development programs

Over the last two years, Metalloinvest has continued to develop its existing social programs (“School of Communal Good”, “School of Aspiring Entrepreneurs”, “Healthy Child”, “Women’s Health”, “Our Town Initiatives” and “Supporting Critically Ill Children”), and it has also launched five new programs aimed at improving the social environment in local regions:

- “Creativity School” has been operating in Stary Oskol since 2014. The program was launched as a module of the “School of Communal Good” program. The aim is to integrate social project planning into the timetables of general education schools.
- “Start in Life” launched in 2014 in Novotroitsk and Zheleznogorsk as a pilot project, with the aim of giving career guidance and guaranteeing the successful integration of orphaned children into society.
- “Our Future” has been running in Stary Oskol (since 2013) and Zheleznogorsk (since 2014) by running competitions for grants to schools, with those achieving the best results gaining advice on general education and for achieving the best results in the sphere of general education and career guidance for schoolchildren. The aim is to ensure that there is an environment that is conducive to successful learning and training in academic institutions.
- “Our Champions” runs trials for grants to sports institutions, with access to the best coaches and the best athletes in Zheleznogorsk (since 2014). The program aims to create a strong environment for the development of junior sports.
- “Zhelezno!” started in 2013 in Stary Oskol, with the aim of establishing a creative and educational platform to draw attention to the history and importance of metallurgy in society.

In conjunction with the implementation of new programs, the external social programs have been integrated throughout all of Metalloinvest businesses. For example, the “Healthy Child” program, which was launched in 2011 in Zheleznogorsk, was successfully introduced in Gubkin in 2013 and in Stary Oskol in 2014.

Further detailed information on our external social programs is available on the corporate website in the “Regional Development” section (http://www.metalloinvest.com/en/sustainability/regional-development/).

Please see below for documents and the key milestones of the five main programs in 2013–2014: “School of Communal Good”, “School of Aspiring Entrepreneurs”, “Healthy Child”, “Zhelezno!” and “Women’s Health”.

FOR MORE INFORMATION, SEE WWW.METALLOINVEST.COM

“SCHOOL OF COMMUNAL GOOD” (SCG)	
Location	Stary Oskol, Gubkin, Zheleznogorsk, Novotroitsk
Aim	Overcome one of the key risks to Metalloinvest’s operations in the town: avoiding depleting levels of potential staff and a “skills drain” in certain professions by forming a favorable environment which encourages young professionals to remain in the local area.
Description	Ensuring conditions are created for the initiation and implementation of projects in the social, environmental, cultural and educational spheres aimed at the addressing social problems that are important to local residents and developing the town by including schoolchildren and adults in project teams. The key areas of the project include: “Urban Environment”, “Culture and Creation”, “Healthy Life”.
Budget	Budget in 2013–2014: 13 million rubles
Key milestones in 2013–2014	2013: providing program stability, working with coordinators, involving partners and active citizens. 2014: development of SUE as an open urban platform for sharing of socially important ideas and discussions.
Plans	• Increase the number of program participants by including social project planning on a permanent basis into the timetable of general education schools; • Enable the easy project replication; • Develop the best practice of recruiting external resources to SUE projects through the participation of project teams in town, regional and federal grant competitions.

“SCHOOL OF ASPIRING ENTREPRENEURS”	
Location	Novotroitsk
Aim	Increasing the level of residents’ business activity by creating a comprehensive system of support for business individuals. The non-realized business potential of the city accounts for over 22% of the working-age population.
Description	An efficient support system for entrepreneurs (both current and new) is formed as part of the program, which includes: consulting support, teaching, mentoring; help in securing financial resources; information support
Budget	Budget in 2013–2014: 5 million rubles
Key milestones in 2013–2014	November 2013 — May 2014: Second phase of accelerating new entrepreneurs, which includes four stages: information and presentation, training, development of business projects, evaluation and support of business projects.
Plans	In order to develop the program and ensure its stability in the long-term, Metalloinvest plans to create a center for business support, which will create an improved business environment in Novotroitsk and the Eastern Orenburg Region. The proposed center will perform the following functions: • consulting for entrepreneurs (accounting, taxation, legal issues) and assistance in preparation of applications for grants and other measures of state support; • organization of events (round-table discussions, workshops); • provision of an acceleration program • assistance and support in business negotiations with government authorities; • monitoring of business development, project implementation, etc.

"HEALTHY CHILD"	
Location	Zheleznogorsk, Gubkin and Stary Oskol
Aim	Improvement of children's health, including targeting specific groups that require special attention, and helping create an efficient system for the improvement of children's health.
Description	As part of the program, support is provided to the city's educational and medical institutions for projects aimed at improving the rehabilitation system for children; training of professionals who are involved in working with children; organizing modern vaccinations for pre-school children; ensuring children's access to advanced medical care.
Budget	Budget in 2013–2014: 10 million rubles
Key milestones in 2013–2014	2013: launch of the program in Gubkin. 2014: launch of the program in Stary Oskol. Examples of projects targeting pre-school children: • reduction in the number of children with food allergy symptoms; • implementation of a system of additional physiotherapeutic procedures; • work with children with visual impairment; • adaptation programs for pre-school children.
Plans	Working with pre-school institutions for the further improvement of projects submitted to grant contests, specification of the priority themes of the program.

"WOMEN'S HEALTH"	
Location	Kursk Region, Zheleznogorsk
Aim	Improving the already comprehensive early detection system for the prevention of breast cancer among female staff members and the residents of the Zheleznogorsk and Kursk Region in order to reduces the number of deaths and to lower orphan numbers.
Description	A system of mammography screening that complies with international standards was created as part of the program. Education and further training of health professionals is conducted on an ongoing basis; the public is informed; an oncopsychology service to support women and their families has been created.
Budget	Budget in 2013–2014: 10 million rubles
Key milestones in 2013–2014	• Reconstruction and provision of modern equipment to the Kursk Regional Oncology Dispensary and its subsidiary in Zheleznogorsk, as well as provision of modern equipment to Municipal Hospital #1 in Zheleznogorsk. • Creation of a mammography screening system (exchange of telemedical data) across the Kursk Regional Oncology Dispensary, Zheleznogorsk Municipal Hospital #1 and FSBI RCRC n.a. N.N. Blokhin RAMS. • Development and implementation of standards and methodological guidelines for screening mammography for radiologists and radiographers. • Unique software for an automated workplace; the mammography screening doctor which was developed and implemented for the first time in the RF. • Education and further training of health professionals (site training of 30 radiologists was organized, training of radiologists is conducted on an ongoing basis, an internet portal for radiation diagnosticians is being developed). • Development of an oncopsychology service (training in oncopsychology was conducted which helped to train 23 clinical psychologist experts, a psychological support group was organized at the "Personality" psychological center). • Widespread information campaign held (open information weekends, distribution of flyers, mass media).
Plans	Starting in October 2014, measures have been taken to expand the program to regional and federal levels. The distance self-learning system for radiologists is planned to form the basis for a national self-learning base (library of photos) for all Russian regions.

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CREATION OF THE "ZHELEZNO!" EDUCATIONAL AND CAREER GUIDANCE CENTER	
Location	Stary Oskol
Aim	Creation of a unique mobile creative and educational platform which presents the latest achievements of scientific, educational and exhibition technologies in order to draw attention to the history and value of metallurgy.
Description	An educational and career guidance center was established as part of the program, covering a wide range of areas related to iron: geography, geology, mineralogy, chemistry, physics, metal science, economics, art, architecture, and construction. The Polytechnical Museum (Moscow) transferred over 50 exhibits to the "Zhelezno!" fund.
Budget	Budget in 2013–2014: 31 million rubles
Key milestones in 2013–2014	• Development and approval of the exhibition center concept; • Development of the exposition content, including development of information and visual materials, multimedia exhibits; • Conclusion of agreements for the provision of exhibits by the Polytechnical Museum (Moscow); • Performance of repairs, acquisition of the necessary equipment; • Ceremonial opening of the educational and career guidance center was held in December 2014.
Plans	• Organization of various events to draw attention to the museum and increase visitor flow; • Organization of work with visitors through the development of new excursions, work with the local community, schools, etc.; • Search for and/or production of exhibits that can replace the exhibits of the Polytechnical Museum, which will be returned to the Museum in 2017, including by regular utilization of temporary exhibitions from different museums, the production of new multimedia exhibits using the efforts of students and lecturers of NUST "MISiS", etc.

7.3 Plans for 2015 and the medium term

In the future, Metalloinvest intends to actively participate in the sustainable development of the regions where it operates, improve mechanisms of cooperation with stakeholders and develop good practices of social and economic partnership with the presence regions.

The main trend in the near future as part of the social and economic development of the presence regions will be the development of the volunteer movement. A number of small projects have already been successfully implemented, and the initiatives have been well received by the Company's staff as well as the local population. In the future, it is planned to develop and launch corporate volunteer programs in the towns of Stary Oskol and Gubkin.

Appendices

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Independent Limited Assurance Report

to the Shareholders of OAO Holding Company METALLOINVEST

Introduction

We have been engaged by management of OAO Holding Company METALLOINVEST (hereinafter — the Company) to provide limited assurance* on the Selected Information described below and included in the Sustainability Report for the years ended December 31, 2013 and December 31, 2014 (hereinafter — the Sustainability Report).

Selected Information

We assessed the qualitative and quantitative information that is disclosed in the Sustainability Report and included in the Tables of the Global Reporting Initiative for standard disclosures in environmental, workforce, safety and socio-economic areas in the reporting scope of the Sustainability Report (hereinafter — the Selected Information). The scope of our assurance procedures was limited to Selected Information for years ended December 31, 2013 and December 31, 2014.

Reporting Criteria

We assessed the Selected Information using the Global Reporting Initiative Sustainability Reporting Framework, including version G4 of the Sustainability Reporting Guidelines (hereinafter — GRI G4). We believe that these reporting criteria are appropriate given the purpose of our limited assurance engagement.

* Assurance, defined by the International Auditing and Assurance Standards Board (IAASB), gives the user confidence about the subject matter assessed against the reporting criteria. Limited assurance gives less in confidence than reasonable assurance, as a limited assurance engagement is substantially less in scope in relation to both the assessment of risks of material misstatement and the procedures performed in response to the assessed risks. The term "assurance" hereafter is not used as defined in the Federal Law №307-FZ of 30.12.2008 "On Auditing Activities" (edition of 28.12.2010).

FOR MORE INFORMATION, SEE WWW.METALLOINVEST.COM

Responsibilities of OAO Holding Company METALLOINVEST

Management of the Company is responsible for:

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

Our Responsibilities

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the Selected Information is not stated, in all material respects, in accordance with the reporting criteria.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance engagements other than audits or reviews of historical financial information. This standard requires that we comply with ethical requirements to plan and perform the assurance engagement to obtain limited assurance on the Selected Information.

This report, including our conclusions, has been prepared solely for management of the Company to assist management in reporting on the Company's sustainability performance and activities. We permit this report to be disclosed in the Company's Sustainability Report, to enable management to show that as part of their governance responsibilities they have obtained an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than management of the Company for our work or this report except where terms are expressly agreed and our prior consent in writing is obtained.

Work Done

Our procedures included:

- enquiries of the Company's management;
- interviews of personnel responsible for sustainability reporting and data collection;
- analysis of the relevant policies and basic reporting principles and gaining an understanding of the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information;
- limited substantive testing of the Selected Information on a selective basis to verify that data had been appropriately measured, recorded, collated and reported; and
- reviewing the Selected Information for compliance of the disclosures with the requirements of GRI G4.

Reporting and Measurement Methodologies

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

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

FOR MORE INFORMATION, SEE WWW.METALLOINVEST.COM

Limited Assurance Conclusion

As a result of our procedures:

- nothing has come to our attention that causes us to believe that the Selected Information for the years ended December 31, 2013 and December 31, 2014 has not been prepared, in all material respects, in accordance with the requirements of GRI G4; and
- nothing has come to our attention that causes us to believe that the Selected Information does not meet the Core requirements in accordance with the Guidelines GRI G4.

AO PricewaterhouseCoopers Audit

AO PricewaterhouseCoopers Audit,
Moscow (Russia)

26 August 2015 г

AO PricewaterhouseCoopers Audit
White Square Office Center, 10 Butyrsky Val, Moscow, Russia, 125047

FOR MORE INFORMATION, SEE WWW.METALLOINVEST.COM

Abbreviations

CO_2	Carbon dioxide
DAF	Delivered At Frontier
GRI	Global Reporting Initiative
JORC	Joint Ore Reserves Committee
IIMA	International Metallics Association
WSA	World Steel Association
RASMET	Russian Metallurgists Association
HBI	Hot-briquetted iron
POL	Petroleum, oil and lubricants
VMI	Voluntary medical insurance
EEU	Eurasian Economic Union
COB	Coke-oven battery
CSR	Corporate social responsibility
LGOK, Lebedinsky GOK OJSC	Lebedinsky Mining and Processing Plant, OJSC
MPI	Medical Preventive Institution
MGOK, Mikhailovsky GOK, OJSC	Mikhailovsky Mining and Processing Plant, OJSC
NUST “MISiS”	“MISiS” National University of Science & Technology
MMK	Magnitogorsk Metallurgical Complex, OJSC
IFRS	International Financial Reporting Standards
NPO	Non-profit organization
NLMK	Novolipetsk Metallurgical Complex, OJSC
CMI	Compulsory medical insurance
EP	Environmental protection
OS	Occupational safety
OHS	Occupational health and safety
OEMK	Oskol Electrometallurgical Plant, OJSC
OECD	Organization for Economic Cooperation and Development
IS&PC	Industrial safety and production control
DRI	Direct-reduced iron
RCRC	Russian Cancer Research Center n.a. N. N. Blokhin of the Russian Academy of Medical Sciences
RUIE	Russian Union of Industrialists and Entrepreneurs
PCC	Managers, professionals and employees
RF	Russian Federation
SPZ	Sanitary protection zone
PPE	Personal protective equipment
Mass media	Mass media
IH	Inventory holdings
Ural Steel	Ural Steel, OJSC
FAS	Federal Antimonopoly Service
HBIP	Hot-briquetted iron plant
CSN	Centralized sewer network
SCG	School of Communal Good

Definitions

Stakeholders	organizations or individuals whose interests are related to the activity of METALLOINVEST HC OJSC and its subsidiaries and which, in their turn, influence the results of its work
Report	Report on corporate social responsibility of Metalloinvest for 2013–2014
GRI Guidelines	Guidelines for reporting in the sphere of sustainable development
ISO 14001	International standard concerning the establishment of an environmental management system
OHSAS 18001	A series of standards that contain the requirements and guidelines for development and implementation of industrial and occupational safety management systems
Non-Deal Road Show	An element of practical preparation of the issuer company during issuance of its securities in order to increase recognition, information provision about the company, etc.
Reporting period	2013–2014

Table of GRI indicators

All indicators included in the appendix “Table of GRI Indicators” have undergone external certification by an independent auditor (see the Independent Auditor’s Opinion, p. 104)

Compliance Report — Basic variant.

General standard elements of reporting

	Indicator		Link/Comment	Page
	STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization’s strategy for addressing sustainability	CSR	Statement from the Chairman of the Board of Directors Statement from the CEO	10 12
G4-2	Description of key impacts, risks and opportunities	CSR	About the report and report preparation process 2.4 Stakeholder engagement 3.6 Risk management system The indicator was disclosed, with the exception of information concerning tasks for the next reporting period and medium-term perspective related to key risks.	6 30 48
	ORGANIZATIONAL PROFILE			
G4-3	Name of the organization	CSR	About the report and report preparation process	6
G4-4	Primary brands, products, and services	CSR	1. About the Company	16
G4-5	Location of the organization’s headquarters	CSR	Contact information	120
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	CSR	1. About the Company 1.2 Locations of the Company’s assets	16 17
G4-7	Nature of ownership and legal form	CSR	Metalloinvest: key facts	4
G4-8	Markets where the organization operates	CSR	1. About the Company 1.2 Locations of the Company’s assets 1.3 Supply geography	16 17 17
		AR-13	2.1 Long-term strategy 3.1 Overview of global markets	29 42
		AR-14	3.1 Overview of the iron ore and steel market	48

	Indicator		Link/Comment	Page
G4-9	Scale of the organization	CSR	1. About the Company 1.4 Key Performance Indicators 6.2 Employee breakdown	16 19 78
		AR-13	1.1 Operating indicators 6.2 Staff structure 8.1 Social responsibility: stakeholder interaction	6 78 96
		AR-14	1.1. A summary of the Company and key performance indicators 3.2.1. Key financials	6 57
G4-10	Total number of employees by employment contract and gender	CSR	6.2 Employee breakdown The indicator was disclosed with the exception of information on the proportion of full-time and part-time staff with a breakdown by gender, information about the proportion of men and women working on a full-time and part-time basis, as well as men and women working in regions of the Company's activity.	78
G4-11	Percentage of total employees covered by collective bargaining agreements	CSR	2.4 Stakeholder engagement 6.1 Approach to human resources management	30 76
G4-12	Organization's supply chain	CSR	2.3 Supply chain	27
G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	CSR	No significant changes in scale, structure, ownership or supply chain occurred in the reporting period.	
G4-14	Whether and how the precautionary approach or principle is addressed by the organization	CSR	5.1 Approach to environmental protection The Company considers environmental aspects during planning of investment projects.	60
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives which the organization subscribes or which it endorses	CSR	2.4 Stakeholder engagement	30
G4-16	Membership in associations (such as industry associations) and/or national and international organizations for the protection of interests	CSR	2.4 Stakeholder engagement	30
	IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	All entities included in the organization's consolidated financial statements or equivalent documents	CSR	About the report and report preparation process	6
G4-18	Methodology of defining the report content and the Aspect Boundaries	CSR	About the report and report preparation process	6
G4-19	List of all the material Aspects identified in the process for defining report content	CSR	About the report and report preparation process	6
G4-20	Aspect Boundary for each material Aspect within the organization	CSR	About the report and report preparation process	6
G4-21	Aspect Boundary for each material Aspect outside the organization	CSR	About the report and report preparation process	6

	Indicator		Link/Comment	Page
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	CSR	About the report and report preparation process	6
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	CSR	About the report and report preparation process	6
	STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organization	CSR	2.4 Stakeholder engagement	30
G4-25	Basis for identification and selection of stakeholders with whom to engage	CSR	2.4 Stakeholder engagement	30
G4-26	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	CSR	2.4 Stakeholder engagement	30
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	CSR	2.4 Stakeholder engagement	30
	REPORT PROFILE			
G4-28	Reporting period for information provided	CSR	About the report and report preparation process	6
G4-29	Date of most recent previous report	CSR	About the report and report preparation process	6
G4-30	Reporting cycle		About the report and report preparation process	6
G4-31	Contact point for questions regarding the report or its contents	CSR	Contact information	120
G4-32	The organization's selected variant of report preparation "in accordance with" GRI guidelines, and the GRI Content Index for the selected variant of report preparation	CSR	About the report and report preparation process	6
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	CSR	Independent auditor's opinion, About the report and report preparation process	104 6
	CORPORATE GOVERNANCE			
G4-34	Governance structure of the organization, including committees of the highest governance body	CSR	3.2 Management bodies	42
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	CSR	2.2 Management of sustainable development	25
G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	CSR	2.2 Management of sustainable development	25

	Indicator		Link/Comment	Page
G4-38	Composition of the highest governance body and its committees	CSR	3.2 Management bodies	42
		AR-13	5.1 Corporate governance	64
		AR-14	4.2 The Board of Directors	77
G4-39	Whether the Chair of the highest governance body is also an executive officer	CSR	3.2 Management bodies	42
		AR-13	5.1 Corporate governance	64
		AR-14	4.2 The Board of Directors	77
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed		The Company's position and related actions with regard to conflicts of interest are recorded in the Code of Corporate Ethics of Staff, section 3.2 "Conflict of interest": http://www.metalloinvest.com/upload/iblock/kodeks-korporativnoy-etiki-sotrudnikov-ooo-uk-metalloinvest.pdf	
G4-42	Roles of the highest governance body and senior executives in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	CSR	2.2 Management of sustainable development 3.2 Management bodies	25 42
G4-45	Role of the highest governance body in the identification and management of economic, environmental and social impacts, risks, and opportunities	CSR	3.6 Risk management system	48
G4-46	Role of the highest governance body in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	CSR	3.2 Management bodies 3.5 Internal control and internal audit system 3.6 Risk management system	42 47 48
		AR-13	5.1 Corporate governance	64
		AR-14	4.2 The Board of Directors	77
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	CSR	3.5 Internal control and internal audit system	47
G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered		This report was reviewed by the Chief Executive officer of METALLOINVEST MC LLC and approved at the meeting of the Committee of the Board of Directors (Protocol No.4 dated 06/30/2015).	

	Indicator		Link/Comment	Page
	ETHICS AND INTEGRITY			
G4-56	Values, principles, standards and norms of conduct of the organization, such as codes of conduct and codes of ethics.	CSR	2.2 Management of sustainable development 3.4 Corruption and fraud prevention	25 47
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	CSR	2.4 Stakeholder engagement	30
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	CSR	2.4 Stakeholder engagement	30
	SPECIFIC STANDARD DISCLOSURES			
G4-DMA	Disclosures on Management Approach	CSR	1 About the Company 1.4 Key Performance Indicators	16 19
		AR-13	2.1 Long-term strategy 5.1 Corporate governance 6.2 Risk management system 7.1 Financial results	26 64 80 86
		AR-14	2.5 Long-term strategy 2.6 2014 Investment Program 3.2 Financial results 4. Corporate governance	37 42 57 74
G4-EC1	Direct economic value generated and distributed	CSR	1. About the Company 1.4 Key Performance Indicators	16 19
G4-EC3	Coverage of the organization's defined benefit plan obligations		The Company strictly adheres to the legislation of the Russian Federation, fulfilling its obligations through contributions to the Pension Fund.	
G4-EC4	Financial assistance received from government		The Company did not receive any financial assistance from the state in the reporting period.	
	ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-DMA	Disclosures on Management Approach	CSR	3.6 Risk management system 7.1 Approach to regional development 7.3 Plans for 2015 and the medium term	48 94 103
G4-EC7	Development and impact of infrastructure investments and services supported	CSR	7. Development of local regions 7.1 Approach to regional development 7.2 Results of external social programs	93 94 98
G4-EC8	Significant indirect economic impacts, including the extent of impacts	CSR	2.3 Supply chain 7. Development of local regions	27 93

	Indicator		Link/Comment	Page
	ASPECT: PROCUREMENT PRACTICES			
G4-DMA	Disclosures on Management Approach	CSR	2.3 Supply chain 3.6 Risk management system	27 48
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	CSR	2.3 Supply chain In this report, the term “local suppliers” means the suppliers with the majority of added value produced in the Russian Federation.	27
	CATEGORY: ENVIRONMENTAL ASPECT: ENERGY			
G4-DMA	Disclosures on Management Approach	CSR	5.5 Energy consumption and energy efficiency improvements	71
G4-EN3	Energy consumption within the organization	CSR	5.5 Energy consumption and energy efficiency improvements	71
G4-EN6	Reduction of energy consumption	CSR	5.5 Energy consumption and energy efficiency improvements	71
	ASPECT: WATER			
G4-DMA	Disclosures on Management Approach	CSR	3.6 Risk management system 5.4 Water use 5.6 Plans for 2015 and the medium term	48 68 73
G4-EN8	Total water withdrawal by source	CSR	5.4 Water use The indicator is disclosed only with respect to surface water except for the information on the used methodologies, technologies and standards used for water intake calculation.	68
G4-EN10	Percentage and total volume of water recycled and reused	CSR	5.4 Water use. The indicator is disclosed only with respect to surface water.	68
	ASPECT: EMISSIONS			
G4-DMA	Disclosures on Management Approach	CSR	3.6 Risk management system 5.2 Reduction of emissions 5.6 Plans for 2015 and the medium term	48 63 73
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	CSR	5.2 Reduction of emissions	63
G4-EN19	Reduction of greenhouse gas (GHG) emissions	CSR	5.2 Reduction of emissions	
G4-EN20	Emissions of ozone-depleting substances (ODS)	CSR	The Company does not emit ODS into the atmosphere in the course of its activity.	
G4-EN21	NOx, SOx and other significant emissions	CSR	5.2 Reduction of emissions The indicator is disclosed except for breakdown by existing types of pollutants and information on methodologies, technologies and standards used for calculation of indicators on pollutants.	63
	ASPECT: WASTE			
G4-DMA	Disclosures on Management Approach	CSR	3.6 Risk management system 5.3 Efficient waste management 5.6 Plans for 2015 and the medium term	48 65 73

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	Indicator		Link/Comment	Page
G4-EN23	Total weight of waste by type and disposal method	CSR	5.3 Efficient waste management The indicator is disclosed except for the information on the amount of hazardous and non-hazardous waste and its handling.	
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	CSR	The Company does not transport, import, export or process waste deemed hazardous under the terms of appendices i, ii, iii and viii of the Basel Convention. There is no international shipment of waste.	
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization’s discharges of water and runoff	CSR	The Company does not operate in specially protected natural areas.	
	ASPECT: OVERALL			
G4-DMA	Disclosures on Management Approach	CSR	3.6 Risk management system 5.1 Approach to environmental protection 5.6 Plans for 2015 and the medium term	48 60 73
G4-EN31	Total environmental protection expenditures and investments by type	CSR	5.1 Approach to environmental protection The indicator is disclosed without a detailed breakdown of expenses for environmental protection.	60
	CATEGORY: SOCIAL SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK ASPECT: EMPLOYMENT			
G4-DMA	Disclosures on Management Approach	CSR	3.6 Risk management system 6.1 Approach to human resources management 6.8 Plans for 2015 and the medium term	48 76 91
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	CSR	6.2 Employee breakdown 6.3 Recruitment	78 80
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	CSR	6.7 Social support for employees	87
	ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	Disclosures on Management Approach	CSR	3.6 Risk management system 4.1 Approach to occupational health and safety 4.4 Plans for 2015 and the medium term	48 52 57
G4-LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	CSR	The institution of authorized persons for occupational safety is in place at LGOK, MGOK and OEMK. The percentage of the workplace represented in formal joint management–worker health and safety committees is unavailable within the framework of the current reporting system.	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	CSR	4.1 Approach to occupational health and safety 4.2 Injury and accident prevention 4.3 Employee health Indicators by staff of contractor organizations, and also broken down by gender, are unavailable within the framework of the current reporting system.	52 55 56

	Indicator		Link/Comment	Page
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	CSR	4.2 Injury and accident prevention 4.3 Employee health The Company does not conduct activity in fields with a high risk of occupational diseases.	55 56
G4-LA8	Health and safety topics covered in formal agreements with trade unions	CSR	Health and safety issues are reflected in current sector agreements and all of the collective agreements of each company.	
	ASPECT: TRAINING AND EDUCATION			
G4-DMA	Disclosures on Management Approach	CSR	3.6 Risk management system 6.5 Training and development	48 83
G4-LA9	Average hours of training per year per employee by gender and by employee category	CSR	6.5 Training and development The indicator of average annual number of hours of training per staff broken down by category of employee is presented for 2014, as information for this aspect was not collected before 2014. The indicator of average annual number of hours of training per staff broken down by gender is unavailable within the framework of the current reporting system.	83
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	CSR	6.5 Training and development 6.7 Social support for employees The indicator is disclosed except for the information on the programs of social support for pensioners and dismissed staff.	83 87
	ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	Disclosures on Management Approach	CSR	6.1 Approach to human resources management 6.2 Employee breakdown	76 78
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	CSR	3.2 Management bodies 6.2 Employee breakdown The indicator is disclosed except for breakdowns by gender and age group among 3 staff categories.	42 78
	SUB-CATEGORY: SOCIETY ASPECT: LOCAL COMMUNITIES			
G4-DMA	Disclosures on Management Approach	CSR	7.1 Approach to regional development 7.3 Plans for 2015 and the medium term	94 103
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	CSR	2.2 Management of sustainable development 7.1 Approach to regional development All of the Company's key enterprises implement programs involving local communities.	25 94
	ASPECT: ANTI-CORRUPTION			
G4-DMA	Disclosures on Management Approach	CSR	3.4 Corruption and fraud prevention	47
G4-SO4	Communication and training on anti-corruption policies and procedures	CSR	3.4 Corruption and fraud prevention The Corporate Ethics Code for employees of Metalloinvest MC LLC is available on the Company's website: http://www.metalloinvest.com/upload/iblock/kodeks-korporativnoy-etiki-sotrudnikov-ooo-uk-metalloinvest.pdf. The indicator was disclosed except for breakdowns by 3 staff categories and regions.	47

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	Indicator		Link/Comment	Page
	INDUSTRY-SPECIFIC APPENDIX: METALLURGIC AND MINING SECTOR			
G4-DMA	Emergency preparedness	CSR	4.1 Approach to occupational health and safety	52
G4-LA6	Description of injuries with fatal outcome, causes and counter measures	CSR	4.2 Injury and accident prevention	55

Contact information

Additional relevant information on the Company's sustainable development, as well as any issues of interest to you and related to this Report, may be found at www.metalloinvest.com or obtained upon request from the Social Policy Department (Tel.: +7 (495) 981-55-55) Metalloinvest MC LLC:

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