



Keep the Course
to Sustainable
Metallurgy
of the Future



Sustainability
Report

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Message from CEO

GRI 2-22



Dear partners and colleagues,

The year 2022 turned out to be a severe test for most Russian companies, and Severstal is not an exception either. We operated amid global challenges driven by restricted exports to Western markets, a slowdown in economic growth of the sector, disrupted supply chains, and a highly volatile national currency. This demanded from the Company the maximum of flexibility to adapt to the new normal and set new sustainability objectives for us.

Responding to the Challenges and Maintaining Resilience

In the reporting year, the world steel consumption decreased by 3.5% year-on-year against the backdrop of increased global recession risks, while metal product prices fell by 18%. However, despite the stressful environment, Severstal continued moving towards its targets by maintaining the operational and financial resilience of its business.

Severstal has confidently overcome the unprecedented challenges of 2022, with steel production of 10.7 million tonnes in the reporting period down by only 8% year-on-year, while cast iron output remained almost intact. At the same time, thanks to refocusing the exports – to the domestic market and CIS countries, in the first place, – metal product sales remained stable, dropping only by 2% compared to 2021. Well-coordinated efforts of Severstal’s team enabled us to increase the Company’s market share in Russia from 14% to 17% versus 2021 and to enter new market segments. We managed to almost double the sales of promising product types and engineering solutions.

In addition, Severstal was able to make significant progress in import substitution and to promptly switch over to new suppliers in order to ensure continued manufacturing processes and uninterrupted equipment operation. As a result, about 97% of critical items were replaced with equivalents.

Sustainable Development Management

We stayed committed to the sustainable development principles and, even in the context of economic uncertainty, managed to develop the Sustainability Strategy to 2030 titled “Together towards sustainable metallurgy of the future” approved by the Board of Directors in February 2023. The Strategy is based on the Company’s long-standing ESG experience and sets forth an integrated approach to responsible business practices. We will be annually communicating the information about achieving our targets in our Sustainability Report starting from 2024.

In carrying out our activities, we rely upon best available global and Russian corporate governance practices, which is why all the employees – from the operational staff to the Board members – are involved in managing the sustainable development issues and attaining our strategic goals.

Social Agenda

Caring for the people is our core value that tends to acquire added importance nowadays, so we made every effort to preserve jobs and support our employees. The major steps included the indexation of salaries by an average of 9% but no less than RUB 10,000 from 1 April, which enabled us to support the lowest-paid personnel, and the provision of additional financial aid to employees. A total of RUB 15 billion was allocated to implement those measures.

Employee safety remains Severstal's utmost priority, therefore, the Company sets ambitious goals to reduce injuries as part of its Sustainable Development Strategy, both among its own employees and the contractors. In 2022, the Company completed the active stage of the project for transforming its safety management system, which made it possible to decrease LTIFR down to 0.68 and reduce the number of injuries. Regretfully, we failed to completely rule out the fatalities: we encountered three such fatal injuries in the reporting year (one with Company employee and two others among the contractors). Severstal thoroughly investigated those cases and took respective remedial measures, specifically, by modifying its approach to engaging high-risk contractors, introducing an electronic work permit system, and performing a number of organisational and technical procedures.

Another fundamental pillar of our social agenda is taking care of local communities. The Company is interested in improving the locals' living standards and maintaining social peace in the regions of its presence; it invests heavily in the activities that optimise the urban environment, that is beautification of cities, towns and settlements, financing the road construction, educational, sports, cultural, and healthcare facilities. On top of that, we support charitable and other public organisations and steadily expand our corporate volunteering programme. In 2022, Severstal's social investments in the regions of presence totalled to RUB 3 billion.

Environmental Agenda

Severstal recognises its environmental responsibility, regularly performs industrial ecological monitoring and assesses own environmental impacts. Over the reporting period, we spent the record-breaking RUB 6 billion on implementing the environmental initiatives. The new Sustainability Strategy covers five medium-term environmental targets, including those aimed at reducing our environmental footprint and reusing the resources.

In 2022, the Company managed to considerably decrease its environmental impact in several spheres. For example, air emissions dropped by more than 15% compared to 2017 owing to the initiatives under the Clean Air federal project.

Severstal takes a responsible approach to reducing its impact on climate change, explores global practices, and focuses on innovations that contribute to achieving the carbon neutrality. We share the goals of the Paris Climate Agreement and move towards limiting a rise in the Earth's global average surface temperature, enhancing sustainability and adaptability to climate change consequences. The Company has its GHG Protocol-compliant emission monitoring system in place, and in 2022 we developed the Climate Risk Management Standard in line with TCFD recommendations.

Looking into the Future

We have every reason to believe that the Company will cope with external challenges with dignity. Severstal's response to turbulence will remain unchanged, that is cost-cutting to robustly compete in all markets, focus on excellent customer experience of engagement with the Company, and further enhancement of our corporate culture, including the launch of a programme for improving the living standards of our employees.

I would like to thank all on Severstal's big team for their work and loyalty to our corporate values, and our partners and investors – for their trust. We will be striving to be a first-choice company for our shareholders, customers, employees, and other stakeholders.

Alexander Shevelev
CEO
AO Severstal Management



01

Severstal at a Glance

About the Company

GRI 2-1

GRI 2-6

GRI 2-7

PAO Severstal is a vertically-integrated steel and mining company that creates new steel products and integrated solutions together with its customers and partners. The Company exercises control over all value creation stages - from iron ore mining and steel smelting to finished product manufacturing, distribution, development of end-to-end integrated solutions for customers, and service and maintenance. The Company produces high-quality rolled steel, including recycled steel, steel pipes and tubes, metalware used in various industries, iron ore, and metal buildings.

Severstal's new vision is to be a leader of the world steel industry of the future and the first choice for its customers, employees and partners.

The Company's business strategy is aimed at increasing its shareholder value and is based on next top priorities:



Superior customer experience

Continuous development of the Company's offerings to provide solutions that enhance customer business performance



Leadership in cost saving

Performance enhancement makes it possible to allocate more resources on projects contributing to the success of customers and partners



New opportunities

Going beyond the customary boundaries of metallurgical production by using cutting-edge technologies and business models



Corporate culture improvement

Setting up a customer-centric culture to improve customer service and quality of communication within the Company

Geography and Key Assets

GRI 2-1 GRI 2-6



All Severstal's industrial assets are located in Russia. The Company consists of two production divisions: Severstal Resources and Severstal Russian Steel.

Severstal Resources¹

- 02 Olcon
Murmansk Region
- 03 Karelsky Okatysh
Republic of Karelia
- 04 Yakovlevskiy Mine
Belgorod Region

Main products:

- Iron ore concentrate
- Iron ore pellets

Severstal Russian Steel

- Cherepovets Steel Mill
Vologda Region
- 01 Production of pipe steel
Saint Petersburg
- 05 Metalware business units
Vologda Region
- 06 Metalware business units
Oryol Region
- 07 Metalware business units
Volgograd Region

Main products:

- Value-added flat-rolled products
- Long products (including for the construction sector)
- Downstream products
- Tubes and pipes, formed shapes
- Galvanised steel
- Cold rolled steel
- Hot rolled steel
- Large diameter pipes
- Metalware and secondary products

¹ In 2022, AO Vorkutaugol (coal) withdrew from Severstal; the deal was closed in April.

Severstal Resources

The division covers 100% of the Company's mining assets and constitutes a fundamental part of its vertically-integrated business model. Severstal Resources fully covers its need for iron ore on account of its resource assets located in the immediate vicinity of steel works.

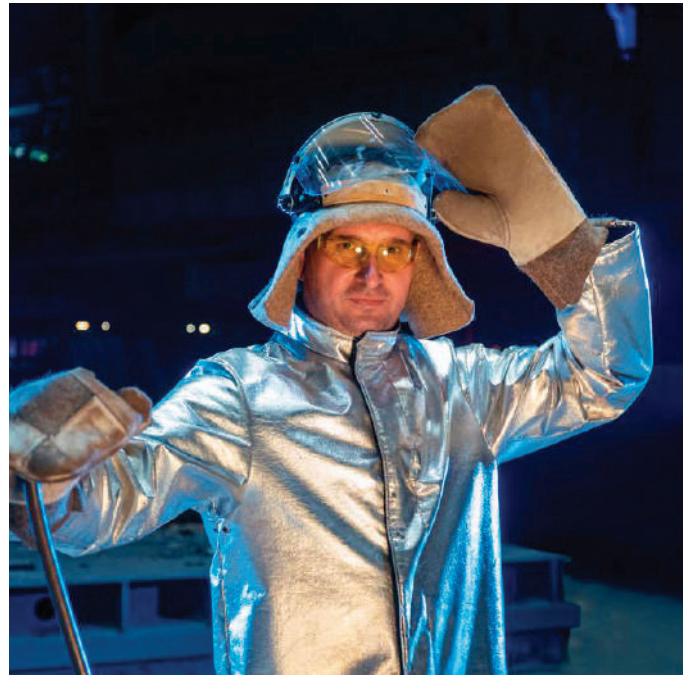
Severstal Resources produces a wide range of iron ore products: iron ore, iron ore concentrate and pellets, which provides Severstal Russian Steel with raw materials in full, while surplus production is sold to third-party customers.



Severstal Russian Steel

The division combines all of the Company's assets involved in manufacturing and selling metal products. Severstal Russian Steel produces and sells a wide range of products, the prevailing share of which is attributed to value-added flat-rolled steel.

The segment includes all steel mills and rolling mills in Cherepovets, a large-diameter pipe and tube mill in Kolpino, metalware companies, scrap metal recyclers, and various auxiliary trading, service and transportation companies.



Business Model

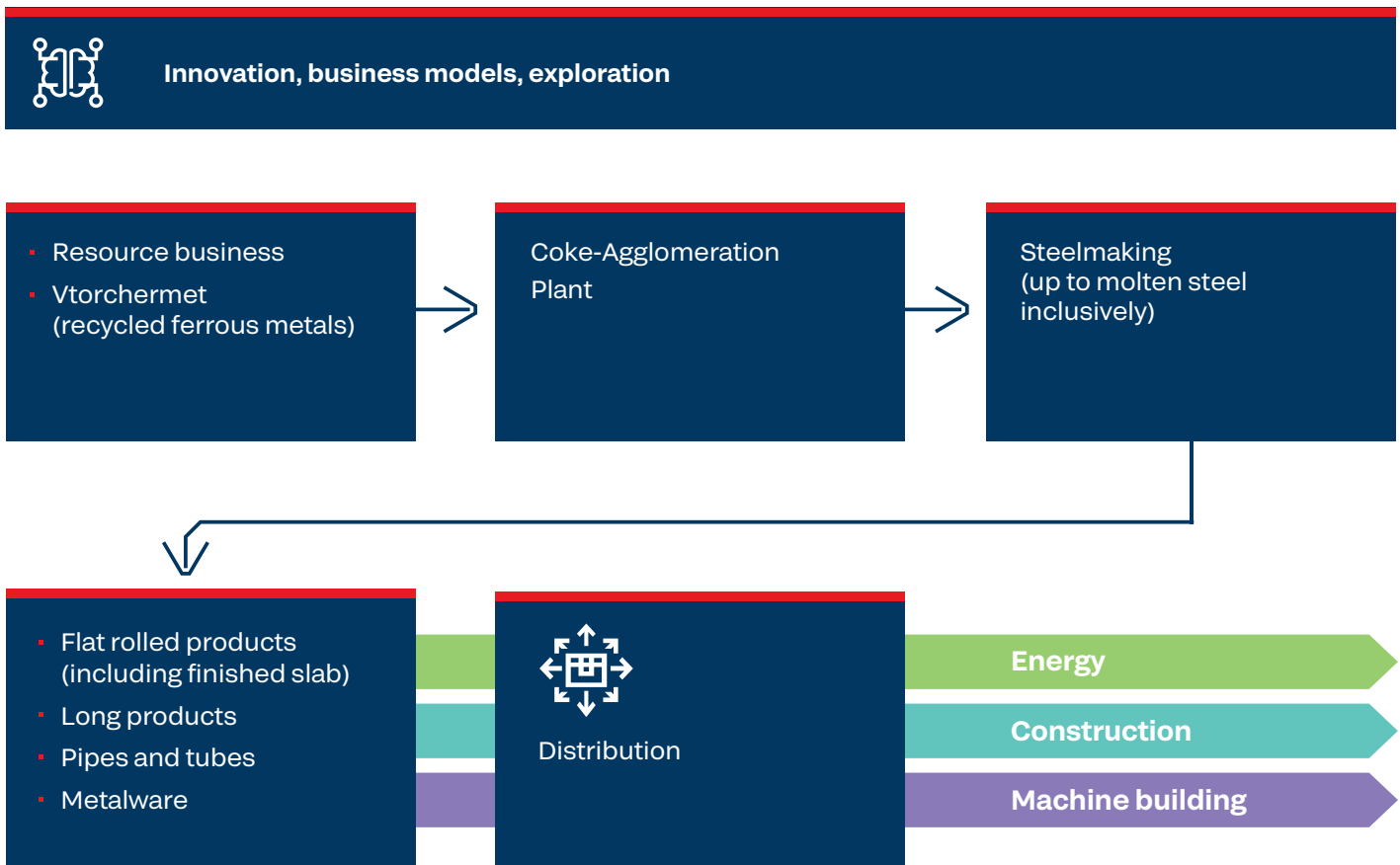
GRI 2-6

Severstal's efficiency is mostly due to its vertically-integrated business model with robust and advanced mining and metals enterprises. This model in a natural way protects the Company from seasonal fluctuations in feedstock prices and helps remain highly profitable. Severstal's steel products have one of the lowest cost of production metrics globally.

The Company offers a broad spectrum of products, strongly focusing on value-added products and constantly developing new types of solutions to meet

the requirements of next-generation infrastructure projects. Severstal is also involved in advancing such promising areas as the production of wind turbines and cryogenic steel for liquefied natural gas tanks. The Company invests in prospective projects in the field of innovative technologies and materials. The primary sectors that consume PAO Severstal's products are construction, machine building and power engineering.

Severstal's Value Chain



In its business model, Severstal makes use of various capital inputs that are transformed to build value both for the Company and its stakeholders. The Company's imperative is to provide for efficient use of these resources while maintaining the right balance between business interests and environmental and social impacts.

Business Model

Capital	Resources	Results
<p>Human</p> <p>Employees, personnel training and development, workplace safety</p> 	<ul style="list-style-type: none"> 49.8 thousand people – number of employees RUB 84.3 billion – payroll costs RUB 230.6 million allocated for personnel development programmes RUB 3.8 billion allocated for occupational health and industrial safety activities 	<ul style="list-style-type: none"> Ranks second in popularity in the industrial sector (HeadHunter research) 84% – the Company's IT brand awareness best employer (Habr.ru) 80% of employees participated in training 0.72 – LTIFR across Company employees
<p>Social</p> <p>Stakeholder engagement</p> 	<ul style="list-style-type: none"> 17% from overall purchase volumes – purchases from local small and medium-sized suppliers RUB 3.0 billion – social and charitable investments 	<ul style="list-style-type: none"> 89% – overall customer satisfaction Over 300 charitable projects implemented
<p>Natural</p> <p>Environmental footprint reduction</p> 	<ul style="list-style-type: none"> 14 iron ore deposits 10.3 million tonnes of iron ore reserves RUB 6.0 billion allocated for environment protection activities 	<ul style="list-style-type: none"> 98.4% – share of water in circulation 99.1% – share of waste recycling 2,210 tonnes of C₂/t steel carbon intensity
<p>Production</p> <p>Production capacity, operating efficiency</p> 	<ul style="list-style-type: none"> 2 divisions 42 enterprises¹ 11 million tonnes of cast iron production 10.7 million tonnes of steel production 	<ul style="list-style-type: none"> 326 partners involved in improving operational efficiency and optimising production processes 10.9 million tonnes of metal products sales 2.3 million tonnes of iron ore raw materials
<p>Financial</p> <p>Investments in the development of production activities</p> 	<ul style="list-style-type: none"> RUB 30 billion – investments in production development projects 	<ul style="list-style-type: none"> 33 new product types
<p>Intellectual</p> 	<ul style="list-style-type: none"> RUB 400.8 million – R&D funding 49 thousand ideas submitted under the Idea Factory initiative 	<ul style="list-style-type: none"> RUB 2,022 million – economic effect from inventions 10.3% – share of new product types

¹ The approach to calculations has been updated, and certain subsidiaries have been factored in, which explains mismatches with the data appearing in the 2021 Report.

Market Overview

The global fight against inflation, geopolitical instability, and the COVID-19 outbreak in China significantly affected the business activity worldwide in 2022. According to the International Monetary Fund, the global GDP grew by 3.4% in the reporting year. China's GDP growth was below the global performance for the first time in 40 years, amounting to 3%. China's economic activity slowed down due to numerous COVID-19 outbreaks in Beijing and other densely populated cities. Investments in the real estate continued to decline, and restructuring

of large developers was progressing slowly against the backdrop of a lengthy crisis in the real estate market. All those factors exerted pressure on steel consumption in 2022.

As estimated by Rosstat, Russia's GDP in 2022 reduced by 2.1%, whereas the inflation reached 11.9%, hitting its highest since 2015 (12.9%). The inflation outburst was driven by the dramatic changes in internal and external economic conditions, including the sanctions.

Iron ore market

The iron ore market is determined by the supply and demand dynamics. The main producers are concentrated in Australia and Brazil, and the key consumers are based in China (over 50%) as the largest steel producer globally. Accordingly, developments in these countries have a significant impact on the iron ore market.

The average price of iron ore decreased by 24% against 2021 (from USD 160 to USD 121 per tonne). However, the price volatility remained high: from USD 155 per tonne in April to USD 89 per tonne in November. At year-end, ore supply was limited due to heavy rains in Australia and Brazil resulting in a rise in prices – up to USD 109 per tonne in December.

Rolled steel market

The slowdown in China's economic growth and upsurge in energy prices in Europe caused a decline in global steel consumption and production. According to Worldsteel, the global steel production in 2022 decreased by 4.3% compared to 2021, amounting to 1.8 billion tonnes. A decrease in steel production was being noticed almost everywhere: by 20.2% in CIS countries, and by 10.5% in EU member states. Steel production in Russia reduced by 7.2%, down to 71.5 million tonnes.

2022 Results

The reporting year was quite a challenge for Severstal: difficulties with exports, supply chain disruption, growing competition on local markets, global economic slowdown, falling steel prices, and rouble volatility demanded a fast and proactive decision-making. The Company's management had to be prepared to bear risks and act in the hard-to-predict conditions. In these new realities, Severstal's vertically-integrated business model, combined with its ongoing focus on operational excellence and cost cutting, and its corporate culture helped it through this challenging year by achieving decent performance.

In 2022, Severstal produced 10.7 million tonnes of steel, which is an 8% decrease against the preceding year. However, the cast iron output remained intact. Consolidated steel sales dropped only 2% down to 10.9 million tonnes. Sales of semi-finished products rose to 1.57 million tonnes (by 11%). Sales of commercial rolled products remained unchanged due to re-focusing sales to the Russian market and a relatively high demand for steel in Russia, amounting to 4.59 million tonnes. Sales of value-added products decreased by 6% compared to 2021 (down to 4.76 million tonnes), basically due to lower sales of hot-rolled steel, galvanised steel, and metalware.

Sustainability Ratings and Awards



31.4 scores (↑ 0.7 scores compared to 2021)
Running 2nd among Russian steel companies



Collaboration in progress, information provided without verification
In 2021, CDP Climate Change ranked the Company as "B" ("Management") and "A-" ("Leadership") - in terms of interaction with suppliers



70.9 scores, level A (↑ 3.7 scores compared to 2021)
Running 6th out of 37 in the metals and mining sector



Group 1 in ESG index of Russian companies



Maximum score of the ESG Transparency Ranking of Russian Companies and Banks



88% (corresponds to the average industry level), where 100% is the maximum positive level



Group A (best practice) of the annual Leaders in Corporate Charity rating



Group 1 (advanced level of ESG practices development) in the ESG ranking of Russian industrial companies



Running 1st in the Environmental Performance category for its joint biodiversity monitoring and conservation project with the Kostomuksha State Nature Reserve

Sustainability Ratings and Awards



Group A in the Responsibility and Transparency Index – companies with most complete information disclosures

Group A in the Sustainability Vector Index – companies with best performance dynamics (↑ from level B)



A – highest level (↑ from level B) in the Ranking of companies as per information disclosure on the integration of the UN SDGs



1 – top class in the Anti-Corruption Rating



Winner in the Best Environmental Impact Disclosure in the Plus One Award – Change Management, Visionaries for its 2021 Sustainability Report

Winner in the Best NPO Report for Severstal Way Home Charity Fund's 2021 Annual Report



Winner of the Mining and Metals Company of High Social Performance contest held by the Mining and Metallurgical Trade Union of Russia and the Association of Manufacturers of Mining and Metallurgical Complex of Russia with the participation of the Ministry of Trade and Industry of the Russian Federation



Gold in the 2022 Rating of Russian Employers for contribution to employees, society, and corporate governance

02

Sustainable Development Management

Sustainable Development Management System

GRI 2-13

Sustainable development is an integral part of Severstal's corporate culture covering all levels of management, from the production sites to the Board of Directors.

The Board of Directors deals with strategic issues, determines the Company's priorities, and adopts fundamental ESG documents, including the Sustainable Development Strategy. At a strategic level, Severstal exercises control over the respective KPIs.

The Safety and Sustainability Committee advises the Board of Directors on the ESG agenda, reviews HSE reports, proposes (as and where necessary) adjustments to the approaches to managing such issues, and regulates other sustainable

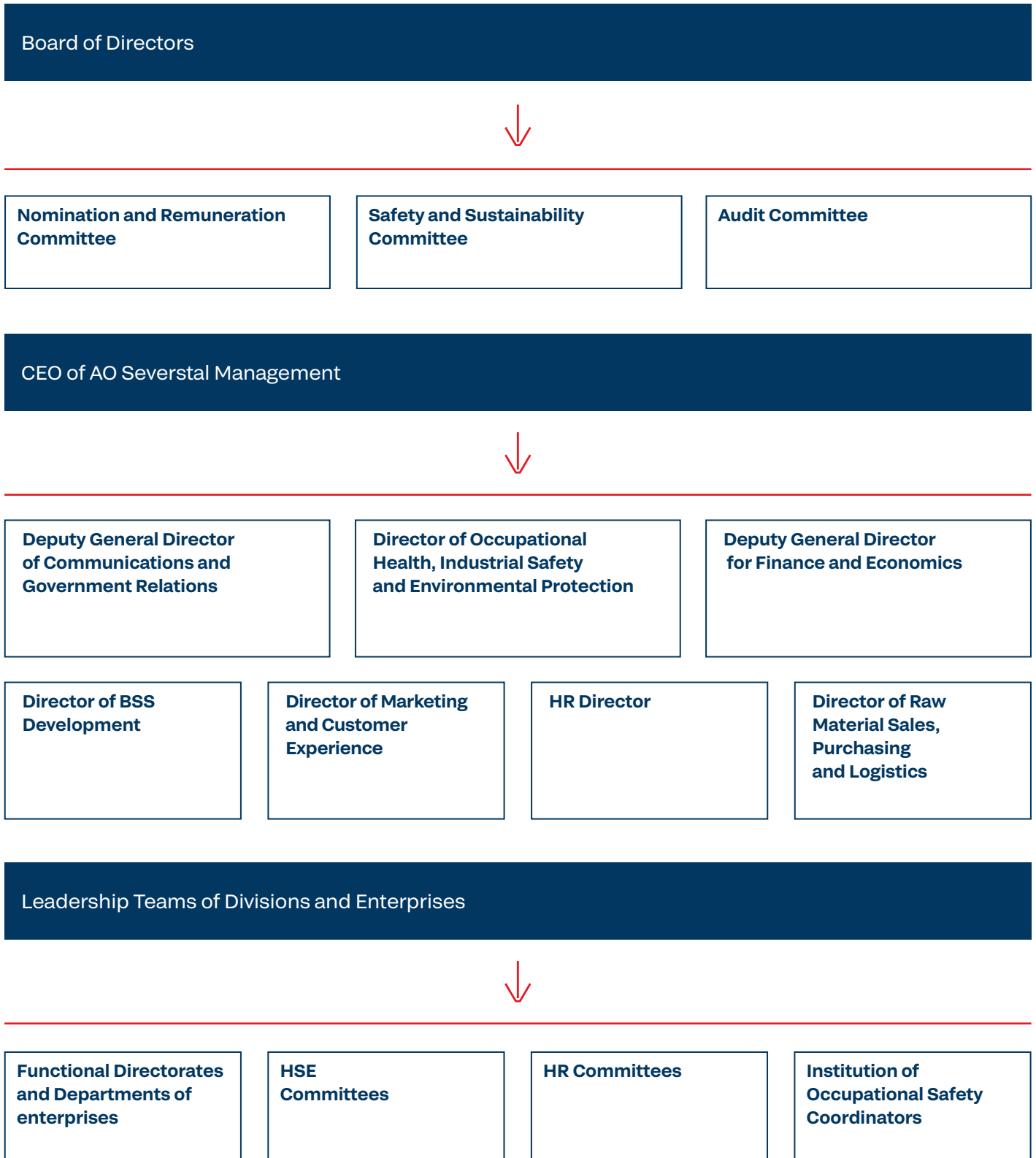
development aspects. Over the reporting period, the Committee considered practical suggestions on how to improve the Company's performance in environmental protection, climate risk assessment, and decarbonisation.

Dedicated functional units of the managing company make key decisions and control the achievement of Severstal's goals in sustainable development. Current ESG issues are addressed by the Sustainability Working Group composed of representatives of different business units.

Severstal's divisions and enterprises are in charge of implementing the sustainable development goals and achieving the performance targets.



Sustainable Development Management Structure



Severstal's Sustainability Strategy

The Company's key event in sustainable development management appeared to be the adoption of the Sustainability Strategy up to 2030 under the motto "Together towards sustainable metallurgy of the future"¹ accepted by the Board of Directors and published in early 2023.

The document extended the list of the Company's public goals in environmental protection, occupational safety, regional development, and personnel training. In conformity with global best practices, the Strategy is expected to be reviewed and amended on an annual basis, with reference to the Company's stakeholder needs.

E

- Air quality
- Climate action
- Waste management
- Water conservation

- **13% by 2025** – reduction in gross emissions of pollutants (compared to 2017)
- **3% at 2024² and 10% at 2030** – reduction in GHG emission intensity (compared to 2020)
- **98.5% by 2030** – share of waste recycling
- **12% by 2025** for PAO Severstal, Cherepovets Steel Mill- reduction in effluent discharges into water bodies exceeding the maximum allowable discharge limits (compared to 2017)



S

- Working conditions
- Occupational health and industrial safety

- **0.48 by 2025 and down to 0.45 by 2030** – LTIFR among own personnel and contractors
- **Zero fatalities by 2025**
- **100% production facilities by 2025** – to be certified under ISO 45001



G

- Enhancing the corporate governance system



Separate targets were set for each core area of the Company's activities. An action plan for specific business units was drawn up for each target. As part of the above strategy, a list of sustainability KPIs for the management is expected to be expanded that yet today covers the climate impact reduction and OHS targets.

¹ Approved by PAO Severstal's Board of Directors on 01.02.2023.

² Caused by the sub-optimal capacity utilisation and inadequate access to imports of environmentally friendly equipment and technologies, the company was compelled to postpone its 3% GHG intensity reduction target to 2024.

Contribution to the UN Sustainable Development Goals and Participation in National Projects

Severstal contributes to achieving the UN Sustainable Development Goals (UN SDGs) in cooperation with other stakeholders. The Company implements projects in all ESG areas, thus advancing the achievement of most of the UN SDGs.



However, to achieve the maximal positive effect, Severstal identified its eight focus goals and formalised them in its Sustainability Strategy. To assess the progress in achieving each of these goals, the Company defined the performance indicators based on the essential global standards.

[For more details regarding performance indicators to monitor the contribution to the UN SDGs, see the Sustainability Report 2021, page 30.](#)

8 focal UN SDGs



Contribution to achieving the UN Sustainable Development Goals

UN SDGs	SDG objectives	Key projects contributing to the SDGs
	3.4 Reduce mortality from non-communicable diseases	Voluntary health insurance, #DLYASVOIKH well-being programme, discounted vouchers for health resort and rehabilitation treatment for employees and their family members, page 66
	3.6 Reduce the number of deaths and injuries from road traffic accidents	Investment in development of healthcare institutions in the regions of presence, page 86
	4.3 Ensure equal access to technical-and-vocational and higher education	Cooperation with educational institutions, vocational guidance programmes, internships for university and college students, and employment of graduates, page 66
	4.4 Increase the number of individuals possessing the in-demand skills, including those for entrepreneurial activities	Training activities for entrepreneurs in cooperation with the Cherepovets Agency for Urban Development, pro bono volunteering, page 86

UN SDGs	SDG objectives	Key projects contributing to the SDGs
	8.2 Achieve higher economic efficiency	Increasing the access of small industrial and other enterprises to financial services and intensifying their integration into production and sales chains and markets, page 30
	8.3 Promote development-oriented policies	Implementing economic development projects in cooperation with the Cherepovets Agency for Urban Development, investing in the regions of presence development, page 86
	8.4 Improve global resource efficiency	Developing a programme for optimisation of energy consumption and enhancement of own generation, page 114
	8.8 Protect labour rights and promote safe and secure working environments	Continuous quality improvement of the occupational health management system, providing a safe working environment, page 100
	8.9 Elaborate and implement policies for promoting sustainable tourism	Development of industrial tourism in the regions of presence, support for the Metallurgical Industry Museum, funding for the Museums of the Russian North programme, page 86
	9.3 Increase the access of small-scale industrial and other enterprises to financial services, and intensify their integration into production and sales chains and markets	Purchasing from SMEs, page 30
	11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage	Contributing to infrastructural projects in the regions of presence, the Cherepovets urban improvement programme, page 86
	11.6 Reduce the adverse environmental impact of cities	The Clean Air project in effect, a comprehensive action plan for pollution reduction, page 130
	12.5 Substantially reduce waste generation	Implementation of waste reduction programmes, increasing the share of waste recycling, page 130
	13.1 Strengthen resilience and adaptive capacity to climate-related hazards	Withdrawal of coal assets from the Company Release of the annual Climate Report Development and approval of the 2030 Decarbonisation Strategy titled "Together Towards a Low Carbon Future", page 114
	17.17 Develop efficient partnership between public and private sectors and between civil society entities	Open cooperation in sustainable development with other enterprises, participation in business and public organisations, page 24

National Projects

Severstal's activity vector broadly coincides with the goals of national projects set by the Government of the Russian Federation. The Company contributes the implementation of national projects through its various programmes.

Severstal is ranked in Our Contribution, a national ranking of business and NGO contributions to national goals and projects

Participation in national projects

Project	Programme	Company activities
<p>Ecology</p> 	Comprehensive programme for reducing air emissions	This is a comprehensive programme that is expected to ensure air emissions reduction by 66,800 tonnes by 2024 (22.5% from the 2017 baseline). The programme activities are included in the Clean Air federal project.
<p>Demography</p> 	No Limits sports movement	The programme aims to set up a unique community of the Company's employees that benefits from sports to transform a mindset and raise awareness about health and proactive attitude.
	Steel Energy	The programme aims at reducing a morbidity rate and increasing the labour productivity through expanding the opportunities to go in for sports.
<p>Digital Economy</p> 	Severstal digital transformation	The Company strives to continuously improve efficiency and performance of its business processes. Digitalisation implies the use of cutting-edge technologies, including artificial intelligence. Severstal develops innovative solutions both on its own and with the participation of its partners.
<p>Culture</p> 	Museums of the Russian North charity programme	The programme focuses on mainstreaming the historical and cultural heritage of the Russian North, identifying the best project initiatives of regional museums, and improving the expertise of museum staff.

Participation in Organisations and Initiatives

GRI 2-28

Severstal places a strong focus on evolving and strengthening partnerships and consolidating efforts with other organisations to achieve the UN Sustainable Development Goals. Together with its counterparties, partners, and other stakeholders, the Company contributes to a sustainable metallurgy of the future. Severstal maintains cooperation with Russian industry-specific research institutes and universities and upholds the development of cultural and educational institutions.

Membership in associations and business unions

Business and non-governmental organisations:

- Russian Union of Industrialists and Entrepreneurs (RSPP);
- Russian-German Chamber of Commerce;
- NP Market Council Association;
- public and expert advisory councils under the Federal Customs Service of Russia;
- EAEU Business Council;
- Northern Dimension Business Council;
- World Steel Association;
- The Russian Steel Association of Ferrous Metals Enterprises; and
- Steel Construction Development Association.

Public organisations:

- UN Global Compact Russia;
- Renewable Energy Development Association;
- Russian Managers Association;
- Donors Forum;
- National Association of Corporate Directors; and
- Russian Association of Communication Directors and Corporate Publishing.

Severstal regularly interacts with the Russian Chamber of Commerce and Industry, Business Russia, and the European Business Association.

On top of that, the Company supports research and cultural institutions as part of its corporate social responsibility, including training of high-potential employees. To this end, Severstal carries on cooperation with specialised research institutes and universities, and their list is being continuously extended:

- Saint Petersburg State University;
- MISIS National University of Science and Technology;
- Saint Petersburg Mining University;
- Papanin Institute for Biology of Inland Waters;
- Nosov Magnitogorsk State Technical University;
- Cherepovets State University;
- Federal State Unitary Enterprise Bardin Central Research Institute for Ferrous Metallurgy;
- RAS Institute of Problems of Chemical Physics;

- National Research Centre Kurchatov Institute – Central Research Institute of Structural Materials Prometheus;
- Construction Research Centre;
- Steel Research Institute;
- Moscow Power Engineering Institute;
- Vologda State University;
- Ural Federal University;
- Ivanovo State Power Engineering University; and
- Tomsk Polytechnic University;
- Belgorod State University.

Commitment to the UN Global Compact Principles

Severstal joined the UN Global Compact way back in 2018, thus assuming commitments to its ten principles that define the approach to managing the core sustainable development aspects. Each year, as required by the initiative, the Company reports on the progress in its annual sustainability report, and forms a separate topic-specific report as well.

Sustainable Development Documents

Severstal is guided by the leading international and Russian initiatives covering various aspects of sustainable development, namely:

- UN Guiding Principles on Business and Human Rights;
- Universal Declaration of Human Rights;
- Worldsteel Sustainable Development Policy and Charter;
- Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD);
- RSPP' Social Charter of Russian Business;
- Anti-Corruption Charter of the Russian Business; and
- Declaration on Interaction of Large Business with SMEs.

Management System Standards

The Company provides for compliance of its enterprises' management systems with the requirements of international standards, including:

- ISO 26000:2010 Social responsibility;
- ISO 14001:2015 Environmental management systems;
- ISO 45001:2018 Occupational health and safety management systems;
- ISO 50001:2011 Energy management systems; and
- ISO 37001-2016 Anti-bribery management systems.

The Company engages independent certification bodies to attest to its compliance with the standards.

The Company's Internal Sustainable Development Regulations

The key corporate documents governing various aspects of the Company's sustainable development activities are available for review on the [Company's website](#).

Stakeholder Engagement

GRI 2-12 **GRI 2-28** **GRI 2-29** **GRI 2-30**

Severstal maintains a reputation of a reliable partner for its stakeholders. The Company identifies the following major stakeholder groups:

- shareholders and investors;
- business partners;
- customers and consumers;
- employees;
- government authorities;
- local communities;
- business and public organisations; and
- research, cultural, educational, sports, and healthcare institutions.

Severstal explicitly links its sustainability to the sustainable development of the territories of its presence and to the environmental management. In implementing its 2030 Sustainable Development Strategy, the Company takes into account stakeholders' views and expectations and involves them in addressing the social challenges.

In forming its annual Sustainability Report, the Company surveys all its stakeholders to identify material topics for disclosure. Feedback on the previous report is collected likewise to be factored in subsequently.

[For more details regarding stakeholder surveys and outcomes, see the About the Report section.](#)

Key stakeholders and forms of engagement

Group	Forms of engagement
Shareholders and investors	<ul style="list-style-type: none"> ▪ convening the General Meeting of Shareholders; ▪ celebrating the Investor Day; ▪ ESG information disclosure; ▪ Composing responses to inquiries; a dedicated website section; ▪ consultations
Business partners	<ul style="list-style-type: none"> ▪ counterparty due diligence; ▪ cooperation in developing and deploying new engineering solutions; ▪ supplier surveys to obtain feedback; ▪ maintaining online procurement platform Industrial Procurement Hub
Customers and consumers	<ul style="list-style-type: none"> ▪ research of customer preferences; ▪ satisfaction assessment survey; ▪ implementation of joint projects; ▪ development of new types of products; ▪ on-site visits to major consumers; ▪ interaction in the Checksteel mobile application





Employees	<p>Communications and feedback collection via various communication channels:</p> <ul style="list-style-type: none">▪ Severstal’s corporate newspaper, newsletters, and information stands;▪ corporate TV broadcasting system, Severstal Info intranet portal;▪ Yammer knowledge exchange system;▪ regular meetings of the management with staff;▪ guidelines and publications for various personnel groups
Government authorities	<ul style="list-style-type: none">▪ participation in public advisory bodies’ activity;▪ agreements on social and economic partnership with regions of presence;▪ social partnership
Local communities	<ul style="list-style-type: none">▪ SME support;▪ urban improvement activities, social investment;▪ support for education, culture, and sports;▪ partnership for orphanage prevention;▪ participation in national projects’ implementation;▪ public debates;▪ notifying local residents of environmental measures and key takeaways;▪ dealing with residents’ inquiries and complaints
Business and public organisations	<ul style="list-style-type: none">▪ participation in cross-sectoral and other public associations’ activity
Research, cultural, educational, sports, and healthcare institutions	<ul style="list-style-type: none">▪ cooperation with relevant R&D institutes and universities for personnel training to meet the production demands;▪ participation in, and co-organisation of, sponsorship and charity projects;▪ implementation of projects to support and develop culture and arts

03



Responsible Supply Chain

2022 Highlights

17%

is the share of purchases from local suppliers in total procurement

27%

is the share of purchases from small and medium-sized businesses

89%

is the rate of overall customer satisfaction with direct rolled steel supplies

UN Global Compact Principles

The topic covers all the 10 Principles

Material Topic

- Responsible supply chain

UN Sustainable Development Goals



Building a Responsible Supply Chain

Approach to Supply Chain Management

Severstal is committed to the principles of responsible procurement to provide for sustainability and transparency across its supply chain. The Company builds long-term mutually beneficial relationships with its suppliers and consumers in reliance upon PAO Severstal's Code of Business Conduct. The document sets forth the Company's obligations and expectations towards its partners for the sake of efficient and successful interaction. The Ethics Committee is responsible for the observance of the Code provisions.

Key documents applicable to building a responsible supply chain:

- The [Code of Business Conduct](#) sets out the principles for building a responsible supply chain.
- The [Supplier Book](#) (updated in 2022) sets forth the rules of performing procurement procedures and stipulates the basic requirements to suppliers in the light of geopolitical instability.
- The [Quality Manual](#) contains the requirements to suppliers and purchased products in terms of quality.
- The [Procurement Arrangements, Inventory Management, and Purchasing, Supplier Evaluation and Development](#) standards reflect the approach to supplier assessment in the procurement process.
- A standard contract includes an anti-corruption clause.

GRI 2-24

Based on the above corporate regulations, all Company's procurement procedures are documented, and before concluding a contract the Company performs due diligence on its counterparty to verify his business reputation, financial standing, and ability to perform under the contract. All Severstal enterprises make use of a unified automated system to manage relationships with suppliers of feedstock, materials, equipment, and services. In the reporting year, certain changes were introduced to the [Supplier Book](#) and pre-trial and claim management regulation on the outgoing claims for late delivery.

Since 2021, the [Suppliers and Contractors Portal](#) has been in operation to improve the awareness-raising and engagement quality. It constitutes a one-stop solution for counterparties and contains all necessary information for potential and existing partners regarding cooperation with Severstal.

Severstal adheres to the principles of multilateral cooperation between the business, investment community, and other stakeholders who are to ensure the building of responsible supply chains. To this effect, the Company is extensively involved in the activities of various international and local sustainability associations and initiatives. Moreover, the Company elaborated the [Achieving a Low Carbon Future Together Climate Memorandum](#) in support of global effects to prevent further climate change. It is designated to provide for climate impact management across Severstal's supply chain.

[For more details regarding the environmental impact management, see the Climate Change and Energy Efficiency section.](#)

Counterparty Assessment for Compliance with Sustainable Development Criteria

GRI 308-1 **GRI 308-2** **GRI 408-1** **GRI 414-1**

Severstal manages its relationships with suppliers in a coherent manner. Supplier reliability assessment, options of a long-term cooperation with consistently high-quality products and delivery performance, and supplier compliance with the Company's requirements involves several stages: pre-qualification, audit, and performance evaluation.

Supplier assessment includes two stages – an expert assessment (twice a year) and an operational assessment conducted monthly on the basis of automatically generated supplier performance metrics. In the reporting year, the supplier operational assessment method experienced a number of changes, including those related to the quality and late delivery criteria.

The assessment procedure is an automated process, which enables Severstal to promptly obtain the required information and use it in a timely manner to draw up a corrective action plan as part of its counterparty engagement.

The pre-qualification stage also entails a high-level supplier assessment by certain ESG criteria. In 2022, the evaluation criteria were finalised, and a special tool based on SAP SRM was created.

E

- compliance with environmental laws;
- ISO 14001 certification, required environmental licences and permits, environmental policy, energy conservation targets and programmes;
- positive dynamics of environmental performance metrics (e. g. CO₂ emissions, energy efficiency, etc.)

S

- compliance with Severstal's Code of Business Conduct;
- respect for human and employee rights;
- timely and fair remuneration and compliance with the limitation of working time laws;
- compliance with the occupational health and industrial safety laws and Company's regulations;
- social policy in effect

G

- observance of the ethical conduct standards;
- prohibition and elimination of all forms of discrimination, abuse and humiliation, forced and child labour;
- implementation of a set of measures to ensure information security and anti-corruption

GRI 414-2

When performing the assessment, Severstal also points out general issues related to supplier reporting, ratings, and awards in sustainable development. Upon completion of the assessment by ESG criteria, Severstal works out recommendations for contractor improvement and compiles their rating that further on factors into the terms of cooperation.

Procurement Risk Management

EM-IS-430a.1

Severstal regularly assesses the risks associated with the suppliers and procurement arrangements. The assessment methodology is based on the Company's Risk-Oriented Mindset. Risk Management Standard.

The Company's key procurement risks and mitigation activities

Risk groups	Risk mitigation activities
Ensuring uninterrupted supplies	<ul style="list-style-type: none"> ▪ reliable supply channels set up, and alternative solutions are in place; ▪ efficient and coherent process to select equivalents for critical items built; ▪ approach to the re-engineering organisation, funding, and expediency revised; ▪ approach to audit and inspection acceptance procedures reviewed to prevent poor-quality goods and materials supplies; ▪ range of IT systems development measures aimed at improving procurement performance implemented
Market and pricing risks	<ul style="list-style-type: none"> ▪ ongoing market research; ▪ elaboration of category-based strategies; ▪ contested supplier sourcing process; ▪ establishing a long-term cooperation
Operational risks	<ul style="list-style-type: none"> ▪ compliance with the internal rules for procurement procedures; ▪ automation of processes and control procedures using SAP S4/HANA
ESG risks	<ul style="list-style-type: none"> ▪ adding to original contracts the OHS compliance clause, the anti-corruption clause, and references to Severstal's policies that are expected to be observed by the Company's suppliers and contractors

[For more details regarding the ESG risk management, see the Risk Management section.](#)

Procurement Performance in 2022

In the reporting year, Severstal focused on the import substitution of equipment and components, including the successful sourcing of domestic and foreign equivalents to 35% of its demand for imported repair items, and strategic import substitution efforts.

Activities to enhance supplier engagement in 2022

Activity	Result
<p>Enhance control over the implementation of corrective measures for suppliers on the watch list</p>	<ul style="list-style-type: none"> ▪ teams in charge of troubled items supply strengthened; ▪ monitoring of troubled supplies improved
<p>Expand the partnership programme and enhance relationships with target and prospective suppliers</p>	<ul style="list-style-type: none"> ▪ certain partnerships revised, focus made on the supply chain sustainability improvement, this being reflected in supplier development programmes
<p>Raise supplier awareness and motivation</p>	<ul style="list-style-type: none"> ▪ counterparty satisfaction surveys on current performance, awareness and interaction quality, and programme improvement suggestions; ▪ optimising the Suppliers and Contractors Portal website; ▪ displaying the assessment results in supplier profile
<p>Develop the marketplace through process automation and platform improvement</p>	<ul style="list-style-type: none"> ▪ migration to the in-house marketplace platform completed (19.8 thousand orders placed and sold through the marketplace in 2022); ▪ warehoused goods and materials purchasing process computerised to be followed by a shorter decision-making time for a request (up to 3-10 minutes) and for order acceptance (up to one day vs standard response time of 4-5 days)
<p>Enhance contractor relationship management, including security and alertness to risk</p>	<ul style="list-style-type: none"> ▪ approach to contractor relationship system development updated, focusing on occupational health and industrial safety; ▪ contractor assessment for compliance with Severstal's safety, quality, and delivery deadlines requirements, with due regard for observance of labour and environmental legislation, being automated
<p>Launch a comprehensive automated system for service provider evaluation</p>	<ul style="list-style-type: none"> ▪ a number of evaluation metrics identified

With its Contractor Development project, Severstal won the Competitive Procurement Leader award in the Best Supplier Management System category

The Company's procurement performance received a high appraisal at the annual People Investor competition held by the Russian Managers Association

Local Sourcing

GRI 204-1-b

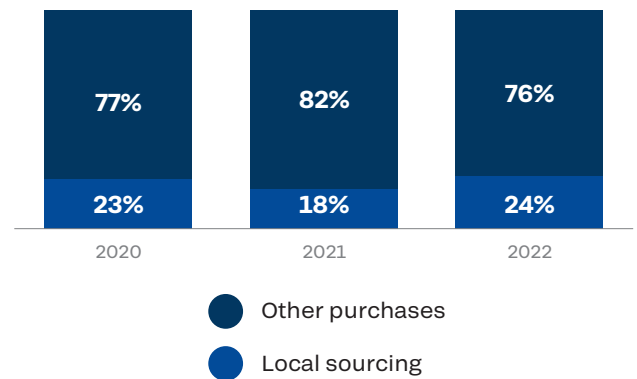
Severstal pays particular attention to its role in facilitating the development of the regions of presence, including small and medium-sized businesses (SMEs). Cooperation between large, small and medium-sized businesses boosts the social and economic sustainability in the regions of the Company's presence.

Despite the crisis events in the metals sector, Severstal kept on pursuing its goals for developing the business cooperation in the regions of its presence in 2022. For instance, the share of local businesses in the Company's total number of suppliers rose from 18% to 24%. They accounted for 17% of total purchases.

In the reporting year, the Company managed to keep the increasing purchases from SMEs. The amount of purchases increased by 22% year-on-year, due to the increased share of purchases from intermediaries caused by the logistics disruptions.

The biggest scope of purchases from SMEs is typical for the Vologda region, and in 2022, it increased by 4% - from 47% to 51%. The growth is primarily accounted for by a rise in Cherepovets Steel Mill's demand for equipment driven by the commissioning

Share of local suppliers in the total number of suppliers, %



of new sites and development of technical facilities of the Vologda region in general. The number of SMEs cooperating with the Company remained unchanged: at the end of 2022, the number of such enterprises in the Vologda region amounted to 636. These figures come from the consistent implementation of the Growth Synergy 2.0 programme initiated by the regional administration and supported by the industrial enterprises operating in the region.

2023 and Mid-Term Targets

In terms of enhancing counterparty engagement, Severstal intends to carry out the following activities:

- increase the efficiency of sourcing and purchasing equivalents, including quality improvements;
- streamline its supply chains, develop the infrastructure, and produce critical goods and materials locally;
- improve the procurement performance and reduce the costs;
- proceed with automation of supplier corrective action plans, and operational evaluation of contractors;
- elaborate contractor engagement modules, ranging from assistance in providing contractors with protective equipment to a stepwise incentive system aimed at improving the expertise of all partners;
- pilot and scale up the ESG qualifications of suppliers and contractors in order to assess their level of sustainable development.

Customer Relationship Management

Approach to Customer Relationship Management

Enhancement of customer experience and client-centric thinking among the Company's employees is one of the key pillars of PAO Severstal's development strategy. Severstal seeks to achieve a thorough understanding and satisfaction of customer needs.

The Company interacts with its customers through implementing the following measures:

- studying the customer preferences;
- introducing the joint projects and addressing the challenges jointly;
- developing the new product types;
- monitoring the customer satisfaction level;
- dealing with claims.

Customer Satisfaction

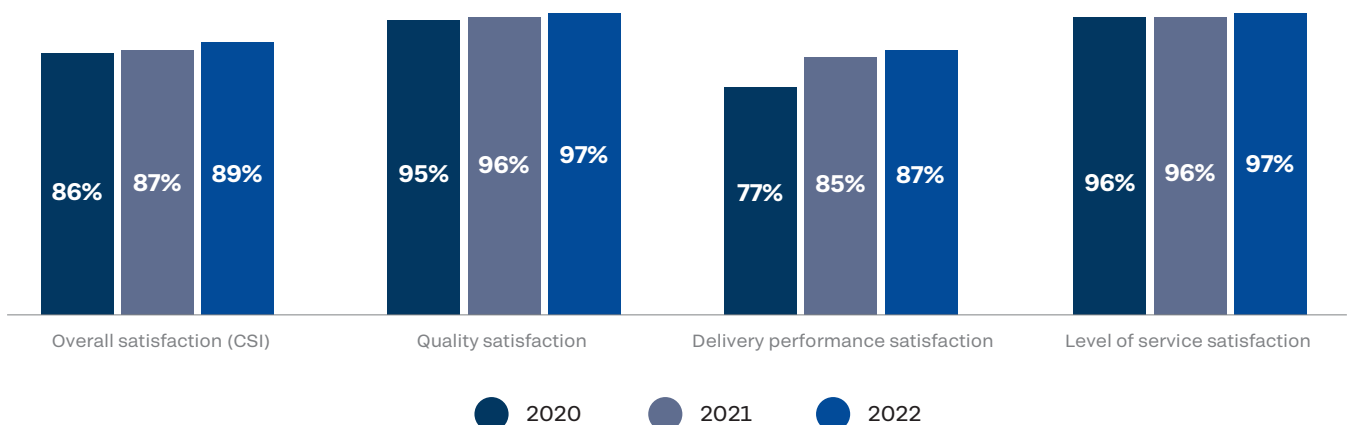
Severstal arranges monthly and annual customer surveys to determine the overall satisfaction with engagement, product quality, delivery performance, and level of service.

Over the last three years, there has been a positive trend in respect of all survey questions, accounted for by properly addressing feedback and adopting a custom-tailored approach.

In 2022, Severstal kept on expanding the Plus loyalty programme's services and benefits for customers and producers in the SME segment. For example, the automation process of writing off/accruing bonuses was improved, registration procedure simplified, and a more comfortable and user-friendly page displaying all bonus-linked transactions created. The strategic functionality remained unchanged. At the next stage, the customer benefits catalogue is expected to be expanded, and certain new customer segments are scheduled to be invited to join the programme.

[For more details regarding the Plus programme, visit the Company's website¹.](#)

Share of positive customer feedback, %



To enhance the customer experience and client-centric thinking among Severstal's employees, several projects related to external and internal interaction between the customers and employees were launched in 2022:

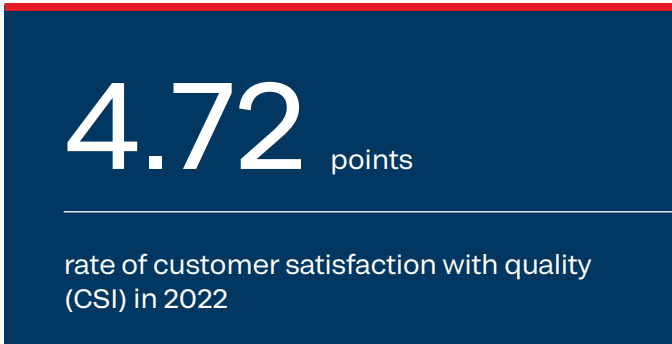
- Customer handbooks for two key engagement formats (production orders, ordering from stock) were developed and supplemented with product and service catalogues, customer pickup guides, and recommendations on document management and service support.

¹ The website is only available in Russian.

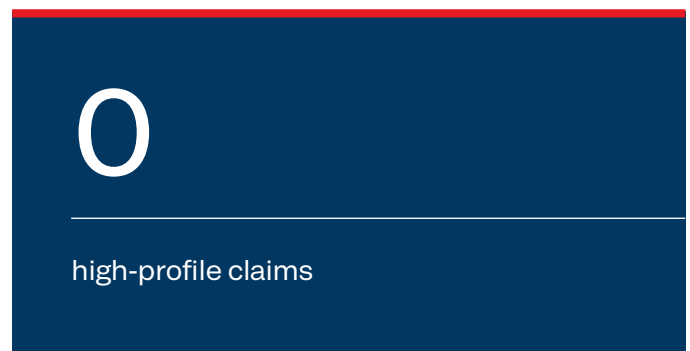
- The Customer Way e-learning course was elaborated and launched for the Company's staff - so that to teach new employees to use the key work patterns under the basic customer service model as quickly and conveniently as possible. The course is designed for sales managers, customer service, and technical support staff. Shortly, the course is to be included in the onboarding programme for all new customer-facing employees.

Feedback and Claim Management

Severstal practices a variety of methods for receiving the feedback from its customers, including those collected through digital services. For instance, the Company regularly conducts client surveys customised by delivery models and key touchpoints, and studies customer satisfaction.



On top of that, the Company operates a special Severstal Vmeste (Together) client portal¹ for ensuring the efficient customer interaction, and the Checksteel mobile app to provide an easy and user-friendly feedback on quality and claim management issues. The application is designed for Severstal's customers purchasing the rolled steel produced at Cherepovets Steel Mill without additional treatment at steel service centres. Checksteel also enables its users to submit requests for specialist consultations or claims to the Company that shall be promptly addressed and responded.



Updating the Checksteel mobile app

The Checksteel mobile assistant provides for automating many customer and supplier engagement processes. In 2022, the application was improved as follows:

- customisation of the inspection creation form;
- option to change supplier requirements, add attachments and additional information to the completed inspections;
- option to record and promptly monitor incoming products, thus encouraging customers to migrate to e-document management and maintain their own records within a single application.

The updated application functionality also covers the 8D service, a tool to address customer issues. While online, customers may track what stage the issue is at and which corrective and consistent measures have been taken.

¹ The website is only available in Russian.

To build the appropriate customer experience, Severstal promotes its Vmeste (Together) community for customers and partners. The audience of the [media portal](#)¹ and Telegram channel keeps growing, reflecting customer demand for relevant information and expertise sharing. The Company held a dozen of webinars on product-linked and industry-wide topics to jointly expand the sales geographies and increase the number of partners. 83% of participants consider the Vmeste community to be helpful for their professional activities.

2022 Achievements

In 2022, the Company completed the creation of the new Downstream management system to support a better delivery of strategic and operational targets. In addition, customer-facing teams focused on serving different customer groups depending on their businesses were put together.

Severstal focused on setting up a sustainable model of dealings with the market by facilitating the cooperation in the target markets, increasing the supplies for infrastructure projects/oil and gas companies, extending the partner and own distribution network, and promoting the new product types.

2023 and Mid-Term Targets

To enhance the customer engagement, Severstal intends to carry out the following activities:

- improve partner plans to manufacture and promote products jointly with customers;
- expand the product range to offer customers products with improved consumer properties, including those substituting imported equivalents;
- evolve own distribution network to meet the needs of small and medium-sized consumers;

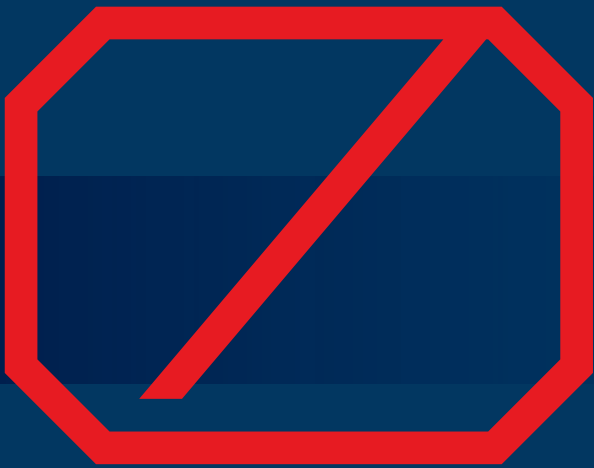
In 2022, several panel discussions and interviews involving customers were held to discuss current challenges and a broad spectrum of joint opportunities. A new format was the Public Talk area at Metal Expo that hosted interviews and expert presentations on topics of particular interest to the market.

During the reporting period, 22 meetings with people from the construction, machine engineering, and oil and gas sectors, and SME customers were held, 14 of which held offline. With its exhibit booth, the Company participated in eight expositions in Russia and abroad to present Severstal as a reliable market partner, promote new product types (including import-substituting ones), integrated and box solutions, innovative technologies and services, foster cooperation, and strengthen partnerships.

- promote metal treatment services through own steel service centres to offer these to customers in the machine engineering and construction sectors;
- develop a quality management system for finished products;
- optimise logistics services;
- improve information and digital services.

¹ The website is only available in Russian.





Corporate Governance

Corporate Governance System

2022 Highlights

100%

of the Company's employees and business partners familiarise themselves with the Anti-Corruption Policy

RUB 400.8 million

allocated to R&D

UN Global Compact Principle

Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.

Material Topic

- Business ethics and anti corruption

UN Sustainable Development Goals

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



17 PARTNERSHIPS FOR THE GOALS



Corporate Governance Standards and Principles

Severstal's corporate governance system underlies the efficient administration of the Company's activities, risk and sustainable development management, and provides for successful interaction with, and consideration of, the interests of shareholders, potential investors, and all stakeholders.

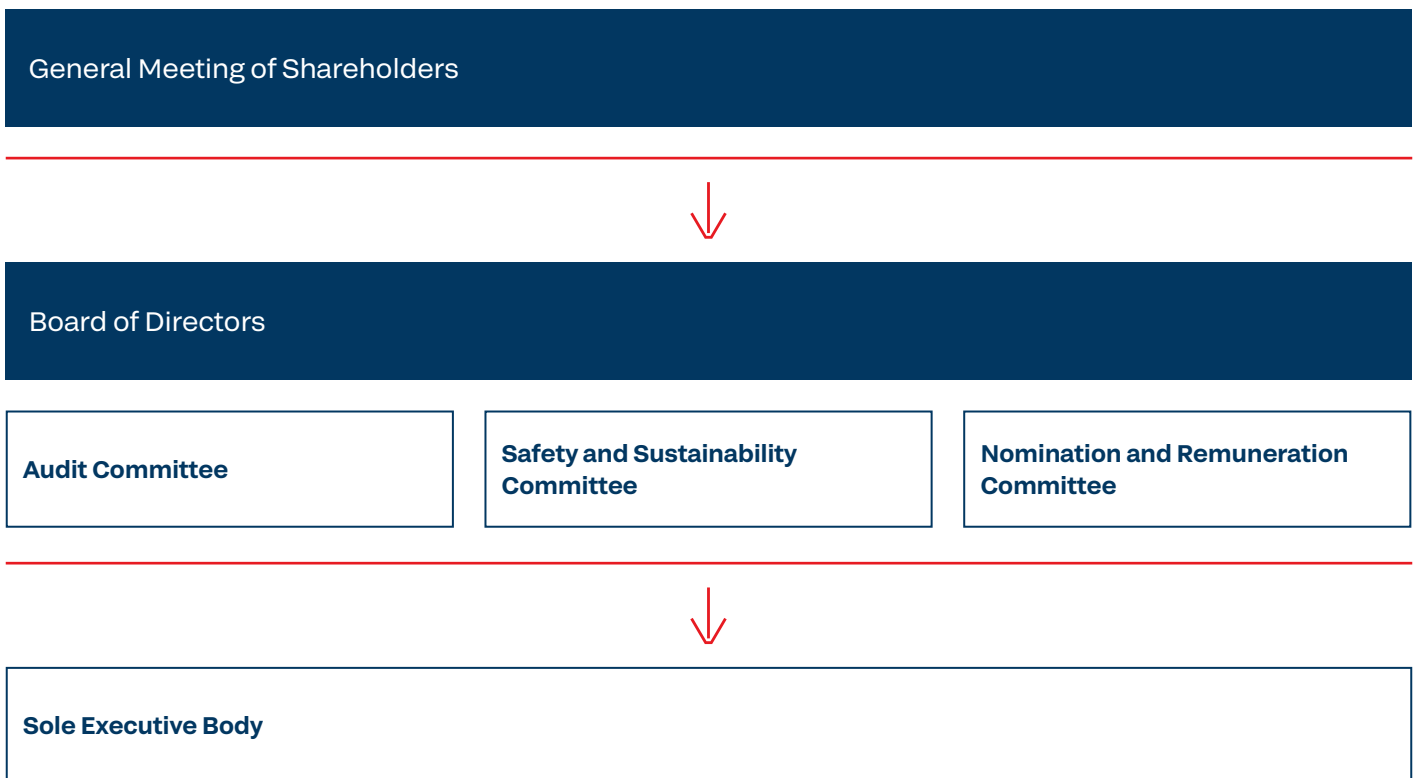
In setting up its corporate governance system, the Company is guided by best available international and Russian practices, in particular the recommendations of the Bank of Russia Corporate Governance Code, and the UK Corporate Governance Code.

The Corporate Governance Code of PAO Severstal sets forth the following principles observed by the Company in carrying out its activities:

- effective and transparent mechanisms for guaranteeing shareholder rights and interests;
- equal treatment of all shareholders;
- exercising shareholder rights to participate in managing the Company;
- high-level engagement with all stakeholders, including customers, suppliers, employees, and professional communities;
- increasing the market value of the Company's shares.

The Company's Governing Bodies

GRI 2-9



The General Meeting of Shareholders is the supreme governing body of PAO Severstal (hereinafter – the Meeting) in charge of handling all key issues of the Company's activities attributed to its competence by the legislation in effect and by the Charter of PAO Severstal. The procedure for preparing and conducting the Meeting, as well as the composition, functions and authorities of its working bodies are governed by the Regulations on the Procedure for Convening the General Meeting of Shareholders.

The General Meeting of Shareholders is held at least once a year. Along with the statutory annual Meeting, extraordinary meetings may also be held as resolved by the Board of Directors or required by the auditor or shareholder (shareholders). The said meetings may be held in person or by absentee voting. In 2022, Annual General Meeting of Shareholders was held in the form of absentee voting. Extraordinary general meetings were not convened.

Board of Directors and Board Committees

GRI 2-12 GRI 2-13

The Board of Directors is in charge of the overall management of the Company's activities, approval of the Company's long-term strategies and business model, management of the Company's financial and economic segment, control and performance assessment of the executive bodies, and execution of the functions assigned by federal laws and the Charter of PAO Severstal.

The Board of Directors pays particular attention to the strengthening of the Company's market positions, assurance of shareholder and investor rights, interaction with the investment community and stakeholders, and to the handling of sustainable development issues.

[For more details regarding the approach to sustainable development management, see the Sustainability Management section.](#)

The Board of Directors convenes its meetings as deemed necessary – at the initiative of the Chairman of the Board of Directors or at the instance of a Board member, Head of Internal Audit Department or the Company's auditor, the executive body or shareholders (shareholder) holding at least 2% voting shares in the Company. Meetings may be held in person or by absentee voting. The meeting format shall be decided on by the person convening the meeting. The Board members compose the following standing committees:

- the Audit Committee in charge of exercising the control over the Company's financial and economic activities, including the risk management, internal control, and corporate governance systems;
- the Safety and Sustainability Committee in charge of the appropriate functioning of the security and sustainability risk management system;
- the Nomination and Remuneration Committee in charge of attracting qualified specialists and incentivising them to perform efficiently.

The procedure of forming the committees and determining their competences and functions is stipulated by the Regulations on Committees approved by the Board of Directors.

In 2022, the Safety and Sustainability Committee considered, inter alia, the following environmental issues:

- environmental metrics, climate risk assessment;
- environmental product declarations (EPDs) and targets for 2022;
- Achieving a Low Carbon Future Together climate memorandum.

On 1 February 2023, the Board of Directors approved the Company's Sustainable Development Strategy until 2030.

For more details regarding the Strategy, see the [official website of the Company](#) and the [Sustainability Management section](#).

GRI 2-9 GRI 2-10 GRI 2-11

The Board of Directors is formed on the basis of candidates' expertise and experience in the relevant area both at senior positions and as Board members in other companies.

The Board members are elected by voting at the General Meeting of Shareholders for the term of office till the next annual General Meeting of Shareholders. The Chairman of the Board of Directors is elected by the Board members by the majority of votes. The Chairman may be re-elected by the Board of Directors at any time by the same number of votes.

[For more details regarding the election procedure for the Company's Board of Directors, see the Charter of PAO Severstal published on the official website of the Company.](#)

The composition of the Board of Directors of PAO Severstal reflects the Company's commitment to best available global practices in terms of compliance with the principles of diversity ensuring the equal protection of all shareholders' interests and contributing to robust decision-making.

The Board members' competences entail their long-term work experience and expertise in the finance, metals, mining, and educational sectors of various companies.

GRI 2-18

In accordance with best available international practices, the Board of Directors on a yearly basis conducts a performance review self-assessment based on individual contributions of each Board member, and an independent external assessment once in three years.

The next external assessment of the Board of Directors' performance was scheduled for 2022. However, conducting a performance review of the Board of Directors' efficiency in the reporting year was considered unreasonable.

Severstal's managing company - AO Severstal Management - is vested with the authority of the Company's Sole Executive Body. Its competences cover the issues of administering the Company's day-to-day activities, excluding those within the competence of the General Meeting of Shareholders and the Board of Directors.

Top Management Remuneration

GRI 2-19 **GRI 2-20**

PAO Severstal's top management remuneration system is based on each director's personal contribution to the achievement of the Company's strategic goals. Decision on the remuneration payable to the Board members is made by the General Meeting of Shareholders.

The top management remuneration principle is governed by the local regulatory acts and employment contracts. The Company has its [Regulations on the Reduction of Long-Term Remuneration Elements in AO Severstal Management](#)¹, pursuant to which the Company's Nomination and Remuneration Committee is entitled to reduce payments under the long-term incentive and bonus system for the key top managers should any deliberate wrongful acts be revealed on their part. The Regulations are aimed at mitigating the Company's financial, reputational and other risks arising out of such acts.



¹ The document is only available in Russian.

Ethical Conduct of Business and Anti-Corruption

Ethics and Conduct of Business

The commitment to business ethics principles underlies PAO Severstal's corporate governance. The activities of all employees, regardless of their job title, are based on the observance of ethical standards constituting a crucial part of the Company's culture. Such approach ensures high-quality business conduct and contributes to building a trust-based relationship with stakeholders and business partners.

In the Company, there is a number of key business ethics and anti-corruption documents based on Severstal's ethical values and containing a set of rules and standards of conduct applicable in various ethics-related situations.

[For more details regarding stakeholder engagement, see the Sustainability Management section.](#)

GRI 2-23

Key business ethics documents

- [Code of Business Conduct of the Severstal Group of Companies](#)
- [Human Rights and Community Relations Policy](#)
- [Employee Code of Conduct of the Severstal Group of Companies](#)
- [Anti-Corruption Policy of PAO Severstal and Related Legal Entities](#)

GRI 2-15

Severstal's Code of Business Conduct sets forth the principles of business ethics the Company adheres to in its interaction with customers and partners throughout the entire supply chain. One of the basic principles is zero tolerance towards any signs of corruption. Other principles are as follows:

- respect for partners, suppliers, and customers;
- compliance with occupational health and safety rules;
- provision of truthful information only;
- protection of confidential information and personal data;
- abidance by agreements;
- rejection of gifts and other favours that would put the receiving party in a dependent position;
- countering the conflict of interests.

Contractual relationships with commercial entities found complicit in the corrupt practices are terminated, and bad faith counterparties are put on the list of those not recommended for cooperation.

In 2022, there were recorded breaches of anti-corruption requirements by contractors and persons representing their interests in PAO Severstal.

As a result, a number of entities were put on the list of those not recommended for cooperation, and their contracts were either terminated or not prolonged.

Anti-Corruption

GRI 2-23

PAO Severstal follows the principle of zero tolerance towards any signs of corruption, which is reflected in the corporate [Anti-Corruption Policy of PAO Severstal and Related Legal Entities](#).

The Policy determines the anti-corruption requirements obligatory for application and observance by all employees and Board members of the Company.

The goals of the Policy are the following:

- observance of anti-corruption laws;
- mitigation of corruption risks;
- raising employee and stakeholder awareness of the Company's zero tolerance towards any signs and forms of corruption.

Independent anti-corruption audit

- The Company successfully passed the second annual inspection audit for compliance of its anti-corruption management system with the ISO 37001-2016 (Anti-Bribery Management Systems) international standard conducted by the independent audit company DQS Holding GmbH, thus completing the certification audit cycle.
- In 2022, PAO Severstal was once again granted the top A1 grade based on the results of the Third National Russian Business Anti-Corruption Rating of the Russian Union of Industrialists and Entrepreneurs reaffirming the efficiency of its anti-corruption system and minimal corruption risk level.

In accordance with its Anti-Corruption Policy, what is more, the fundamental anti-corruption principles observed by the Company in its activity arrangement.

Fundamental anti-corruption principles

- Legitimacy
- Zero tolerance towards any signs and forms of corruption
- Leading by example (tone at the top)
- Risk assessment and regular monitoring
- Informing and training

EM-MM-510a.1

Along with the said Policy, in Severstal, a number of local regulatory acts compliant with the legislation in effect and best available global practices, namely:

- [Anti-Corruption Policy for Severstal Counterparties](#);
- [Company Standard "Anti-Bribery Management System. Anti-Bribery Guide"](#);
- [Gifts and Business Hospitality Policy](#).

Severstal recognises the need for building trust-based relationships with business partners, suppliers, and customers, hence Company employees are permitted – pursuant to the Gifts and Business Hospitality Policy – to accept and give gifts, and arrange business events, but exclusively in the cases that do not contradict both the legislation and the provisions of the said Policy.

The Board of Directors is liable for implementing and monitoring the compliance with the Anti-Corruption Policy. Company employees shall report any breaches of anti-corruption laws to their immediate manager or the Ethics Committee.

The Risk Management and Internal Control Department annually assesses corruption risks pursuant to the Anti-Corruption Policy of PAO Severstal and Related Legal Entities and the Corruption Risk Assessment Procedure adopted by the Company.

The Internal Audit Department, jointly with the Risk Management and Internal Control Department, conducts regular internal audits for compliance with the requirements of the Company's Anti-Corruption Policy and for performance evaluation of anti-corruption activities, standards, and procedures implemented.

In 2022, it was resolved to set up a standing collective body – the Compliance Commission – to ensure compliance with the Anti-Corruption Policy of PAO Severstal and Related Legal Entities, the Conflict of Interest Management Policy of AO Severstal Management, and other anti-corruption documents.

The Compliance Commission will be authorised to study the cases of violation of the requirements of the Company’s anti-corruption by-laws by employees, decide on measures to be taken upon revealing such violations, and execute other functions to attain the goal for establishing an efficient anti-corruption management system.

GRI 205-2

To prevent the occurrence of corrupt practices, Severstal's employees arrange a mandatory anti-corruption training, the intervals of which are determined by their job duties and the Company’s local regulatory acts. In 2022, all newly hired employees completed the relevant training course. A total of 1,219 people received this kind of training.

In 2023, the training course was updated in the light of the amendments introduced to the anti-corruption system: the theory and case study blocks of the course were actualised. On top of that, the essential conflict of interest management modules will be added, including the disclosure of organisational changes in the compliance management system in terms of establishing a new collective body, the Compliance Commission.

Feedback Mechanisms

To promptly respond to reports on violations, the Company has a feedback mechanism in place. Severstal guarantees comprehensive, independent and unbiased handling of complaints and submissions. The communication channels are anonymous and available to both the in-house staff and the external stakeholders.

GRI 2-25 **GRI 2-26**

<p>Unified Hotline communication channels</p>	<ul style="list-style-type: none"> ▪ Line for confidential calls ▪ Messenger (WhatsApp) ▪ Email address vopros@severstal.com ▪ Corporate portal ▪ SMS 1223
<p>Ethics Committee</p>	<ul style="list-style-type: none"> ▪ Email address komitet@severstal.com ▪ Mailing address
<p>Company’s Business Support Service</p>	<ul style="list-style-type: none"> ▪ Email address security@severstal.com

Responsibility for addressing the ethical business conduct issues is assigned to the Ethics Committee headed by the Chairman of the Board of Directors. In 2022, the Ethics Committee received 19 reports related to violation of the Company’s ethical and anti-corruption requirements and grouped as follows:

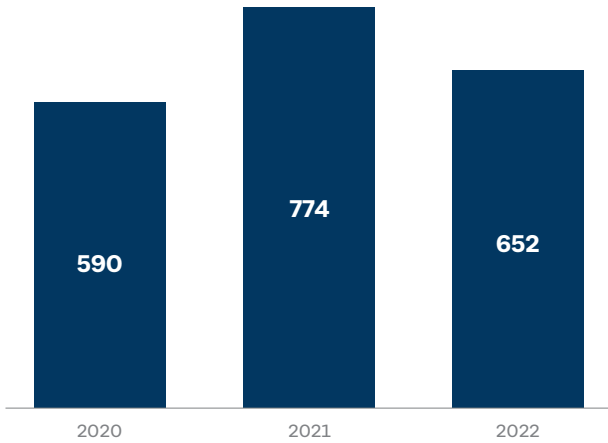
- violation of corporate ethics and standards of conduct – 47%;
- labour misconduct – 21%;
- corruption-related breaches – 16%;
- requests to apply the Company’s anti-corruption policies – 16%.

Once addressed, 11 reports (58%) were regarded as well-reasoned and were actioned through corrective measures. In particular, one case of corruption was confirmed and reported to the law enforcement authorities, followed by filing criminal charges.

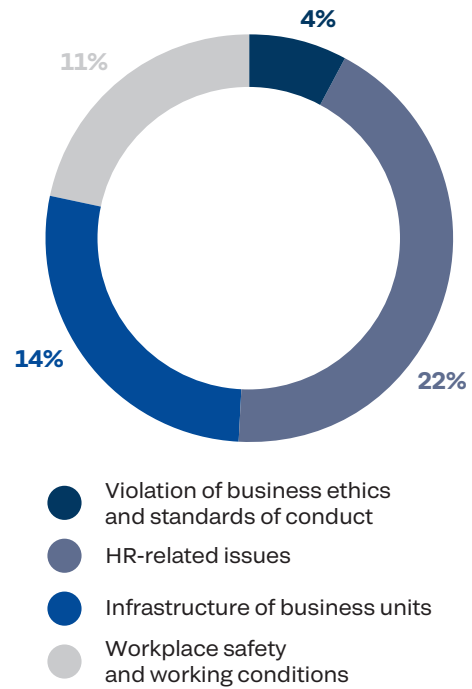
To timely respond to violations of business ethics, in the Company, there is a feedback mechanism in place that involves the Unified Hotline channels, makes sure that any complaints and submissions are being addressed objectively and guarantees complete anonymity to the applicant.

In 2022, the Unified Hotline service channels received 652 submissions, 26 of which were connected with violations of the corporate ethics and the requirements of PAO Severstal's Employee Code of Conduct on the part of executives and ordinary employees of the Company. Each submission was followed by an investigation, appropriate corrective measures were taken. Other topics of the submissions include HR-related issues, site condition and cleanup matters, health and safety aspects.

Submissions to the Unified Hotline, units



Submissions structure by topic in 2022



A decrease in the number of submissions to the Unified Hotline compared to 2021 is due to a significant reduction of queries concerning COVID-19, which used to hit the top 5 topics of submissions. In 2022, the Unified Hotline operation was modified to simplify the procedures of reporting corruption cases.

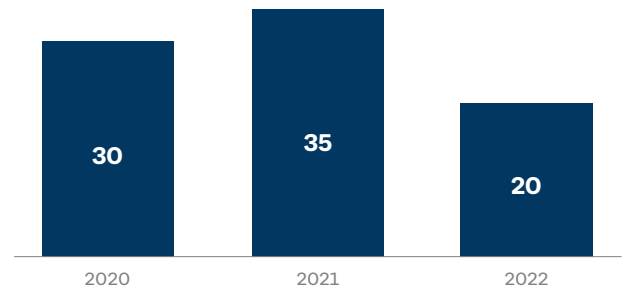
GRI 2-26

Among all the submissions received in 2022 by the Ethics Committee and the Unified Hotline, no cases of employee discrimination on the racial, gender or other grounds were recorded.

GRI 205-3

To prevent violation of the Anti-Corruption Policy's requirements, the Company operates the Business Support Service (BSS) that receives reports on breaches or suspected corrupt practices. In 2022, BSS received 20 applications related to the attempted commercial bribery of employees, of which one instance was confirmed and passed over to the law enforcement authorities.

Reports submitted to the Business Support Service, units



The Company highlights the following activities among the 2023 and mid-term anti-corruption plans:

- Developing the conflict of interest management procedures.
- Evaluating the feasibility of automating the conflict of interest declaration process.
- Modifying the anti-corruption procedures in the light of creation of the Compliance Commission.

Risk Management

Risk Management System

GRI 2-12

PAO Severstal's risk management system is an integral part of the Company's corporate governance process. The system is based on risk identification, risk analysis, and risk assessment at all organisational levels and aims to achieve the strategic and operational goals and make sure the Company's activities follow statutory requirements and corporate standards.

Industrial and environmental safety factors as well as climate-related and social risks are regarded by the Company as the key ESG risks that are managed under the general risk management system.

Risk management involves the Company's personnel and top management. Each team member is assigned to a certain area of responsibility, with respective obligations to be fulfilled within this process. The Board of Directors is ultimately liable for the risk management system performance quality. The Audit Committee is in charge of monitoring the internal controls and of the risk management system efficiency in general.

The Company's key ESG risks and risk mitigation measures

Risk factors	Risk mitigation measures
<p>Industrial and environmental safety</p> <p>For more details, see the Managing Hazards and Creating a Safe Environment, and the Environment Management System sections</p> <p>Workplace hazards, accidents, pollutant emissions, waste storage and disposal violations that may affect human health and property, and the environment as well as cause losses of any kind.</p> <p>Regulatory bodies' requirements aimed to enhance environment-friendly production</p>	<ul style="list-style-type: none"> ▪ Observance of the industrial safety and environmental laws, regulations, and relevant corporate documents. ▪ Control exercised by the Occupational Health, Industrial Safety and Environment Protection Department. ▪ Industrial environmental control across the enterprises. ▪ Monitoring the technical condition of the environmental facilities. ▪ Investing in nature protection activities, industrial equipment upgrades, and technological process improvements
<p>Climate-related risks</p> <p>For more details, see the Climate Risks and Opportunities section</p> <p>Risks arising from climate change and caused by one-off events (drought, fire) and long-term changes (increased average annual precipitation, sea level rise).</p> <p>Risks associated with the transition to a global economy with lower greenhouse gas emissions</p>	<ul style="list-style-type: none"> ▪ Monitoring the condition of buildings, structures, and permafrost soils on the territory of enterprises located in the Arctic Zone. ▪ On a yearly basis, the Company forms a public Climate Report detailing the climate-related risk management system and activities in progress





Risk factors	Risk mitigation measures
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Social risks

For more details, see [the Approach to HR Management section](#)

<p>Potential increase in social tension among employees related to remuneration level, work content and working conditions or downsizing of human resources in the course of ongoing technological development and digital transformation</p>	<ul style="list-style-type: none"> ▪ Effective communication and feedback system, dialogue with employees and trade union leaders. ▪ Maintaining the pay level above the average prevailing in the regions of presence, accomplishing the social support measures towards employees and their families. ▪ Implementation of the system of personnel reallocation to other enterprises finalised. ▪ Pay level analysis versus the market pay lines in the regions of presence; indexation; extra payments
<p>Potential increase in social tension among local communities related to adverse trends in the labour market or changes in socio-economic conditions. Formation of an unfavourable social climate for production processes of the Company's enterprises</p>	<ul style="list-style-type: none"> ▪ Affirmative interaction with local authorities and the public. ▪ Investing in the development of social potential of territories. ▪ Involvement in dealing with community problems and solutions. ▪ Development programmes for SMEs, local workforce capacity, improvement and creation of a high-quality urban environment

Supply chain risks

For more details, see [the Responsible Supply Chain section](#)

<p>Disruption to continuity of supply</p>	<ul style="list-style-type: none"> ▪ Reliable supply channels, solution-minded search for substitutes of the items presently under restriction. ▪ Import substitution; a switch to alternative markets. ▪ IT systems development to enhance the procurement process efficiency
<p>ESG risks on the part of suppliers and contractors</p>	<ul style="list-style-type: none"> ▪ Adding to original contracts the OHS compliance clause, the anti-corruption clause, and references to Severstal's policies that are expected to be observed by the Company's suppliers and contractors

In 2022, the ESG risk management activities covered the optimisation of the corporate governance system and enhancement of the business ethics, namely, the integration of a procedure of declaring the conflict of interest. The Company's risk management system efficiency was assessed as well in the course of an internal audit.

In the reporting year, the on-site risk management training was held for senior managers of the Severstal Russian Steel production division that covered workshops on the following four topics: "What are a Risk Management System, an Internal Control System, Internal Audit", "3LOD Model", "Delineation of Authority Principles", and "Compliance, Anti-Corruption System". The training was completed by eight top managers.

In 2023, the Company's Risk Management and Internal Control Department (RM&ICD) intends to further enhance the anti-corruption and automated control procedures, and, in the mid-term, to implement a RM2 risk management model for the sake of an in-depth risk analysis and assessment.

Innovation Management and Digitalisation

Internal Innovations and Products

PAO Severstal is the largest steel and mining company developing new technologies and integrated solutions both for own business operations and the customers. The established innovation ecosystem provides for studying the trends and adapting them to the Company's needs in view of the external factors. The corporate strategy covers process innovation, product innovation, and business model innovation.

The search for new product types is carried out by employees of sectoral and product teams, as well as experts of the Technical Development and Quality Directorate (TDQD). The implementation of innovations is administered by the Business Development and Corporate Venture Projects Directorate. The Company's innovation management structure also includes a number of organisations that render design and engineering services.

Corporate documents regulating the Company's innovation activities:

- Organisation of the Patent Council Operation Proprietary Standard;
- Management of the Results of Intellectual Activity Proprietary Standard;
- Organisation of Streamlining Activities Proprietary Standard;
- Management of Scientific and Scientific and Technical Activities Proprietary Standard.

Since 2020, the Company has been operating the Upstream Centre, an end-to-end centre for technological development, whose development strategy was drawn up in 2021. In 2022, the first stage of the technological strategy was implemented, that is the production of cast iron with increased natural gas consumption, while maximising the use of pellets in the blast furnace charge, which allowed to reduce the amount of solid fuel in blast furnaces and, accordingly, the cost of liquid steel production. On top of that, it enabled Severstal to reduce its GHG emissions. To this date, this technology is used in all operating furnaces at the factory. The said approach is consistent with a long-term strategy of increasing the first treatment efficiency along with a responsible environmental attitude.

GRI 3-3

Severstal ranks its proposed research and development (R&D) activities. The Company is aware that the development and deployment of new technologies require compliance with the precautionary principle, for which reason potential risks are also assessed, as innovations are incorporated by business units. Projects with the maximum efficiency score are accepted for

implementation. To mitigate the risk of negative R&D findings, contracts with third-party vendors provide for short implementation stages.

Depending on changes in market conditions and geopolitical landscape, Severstal occasionally assesses the R&D relevance and feasibility of further implementation and discontinues inefficient projects. Great care is given to the sourcing of partners to deliver the works. For this purpose, an expert base of outsourcers is expanded, and regular meetings with industry-specific and specialised universities and R&D centres are held.

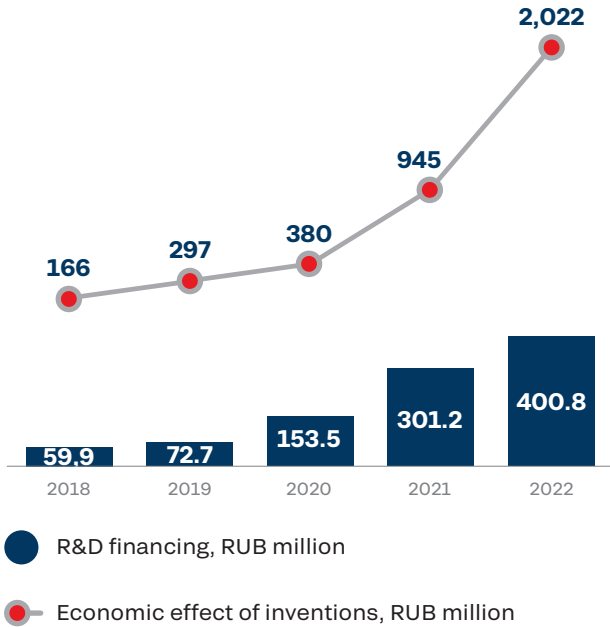
Over 100 Company employees are involved in R&D operations. In 2022, Severstal engaged 326 partners and 35 independent experts in improving the operational performance and optimising the flow processes.

In addition to its own R&D efforts, Severstal jointly with universities contributed to the implementation of three state-funded R&D projects in 2022.

R&D financing increased by 33% year-on-year, amounting to RUB 401 million. The actual economic effect of R&D with the involvement of third-party contractors in 2022 was RUB 2,022 million.

The Company extensively submits patent applications for its in-house designs to mitigate the risk of third-party infringement claims. In the reporting year, the Patent Council considered 75 engineering solutions for further patenting. For example, Cherepovets Steel Mill, with its traditionally high patent activity, invented a way to produce wear-resistant and high-strength castings from cast iron, which will enable the mill to produce stronger units of equipment for crushing various iron ore materials.

R&D financing and economic effect, RUB million

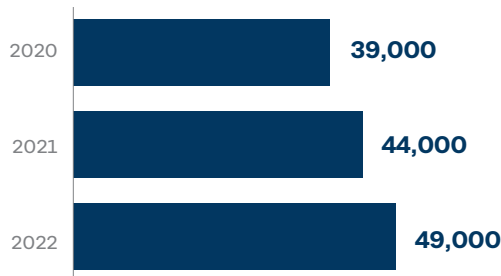


Idea Factory Corporate Programme

Thanks to the Idea Factory, each employee has a chance to express himself by proposing new ideas and contribute to addressing the key challenges for flow process improvement. For ideas accepted for implementation, points are awarded that may be exchanged by participants for gifts and social services or used for charity purposes. Authors whose solution produces a positive effect after its implementation receive a monetary reward.

In 2022, emphasis was made on cost-cutting ideas with a focus on import substitution and achievement of a positive effect in a crisis environment. By year-end, the number of ideas with a confirmed economic effect exceeded the same metric of the previous year by over one-third. The growth owes to an increase in employee engagement up to 60%; employees dynamically submitted their ideas on pending anti-crisis topics: almost each second employee at least once submitted a proposal to improve the flow processes.

Number of ideas submitted, units



Percentage of Company employees involved in the programme



Over **11,000**
authors of ideas received financial rewards

Over RUB **49** million
is the amount of remuneration in the Idea Factory

Advanced Research under the Research Centre

During the reporting year, employees of the Product Research unit directly contributed to the studies of new materials for metallurgical production in the context of import substitution (of refractories and ferroalloys). They were also involved in supporting a dynamo steel production project aimed to find an efficient way of cleaning dipping solutions from silicon and select a resistant electrically insulated coating.

A technology infrastructure for a section to determine the general corrosion of new product types (NPTs), to be opened in March 2023, based at the Analytical Laboratory was set up. The procedure used to be performed by third-party laboratories. A robust digitalisation of operations within this practice area is underway, e. g. the corrosion testing portal implementation.

Corrosion testing portal

The new portal constitutes a platform for registration of applications for corrosion testing carried out either by contractors or in-house. The primary function of the portal is to track the progress of execution of applications by third-party contractors. Dashboards based on the portal data allow to assess the load of laboratories of each contractor. In parallel, such data is used to compile reports and store testing records.

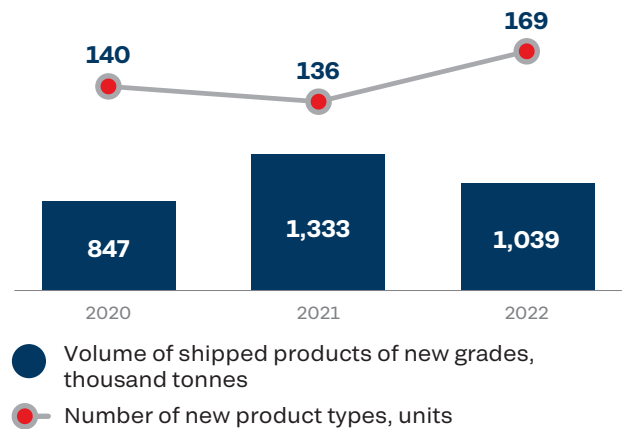
Development of New Product Types

In 2022, the number of new product types (NPTs) developed by the Technical Development and Quality Department together with the production divisions and workshops amounted to 136.

New product development continues to gain momentum, despite a 22% year-on-year fall in the total NPTs volume due to the European market loss. At the same time, the supplies of new product types to the Russian market increased by more than 60%. Despite the general decline in volumes, the effect from selling the NPTs more than doubled year-on-year.

In the reporting period, Severstal improved its key performance indicators of prototyping the new products: the number of products amounted to 169 units, which is a 33-unit year-on-year increase. For example, the new offerings are grades of Powerform tube and Powerweld tube (high-strength roll-formed section).

Product Development



USD **72.7** million

million is the size of extra economic effect from selling the new product types in 2022, a 1.7-time increase year-on-year

10.3%

is the share of new product types in the product range in 2022

Its use deals with reducing the metal intensity of parts or structures, while improving their performance due to increased steel strength and endurance. Another achievement is a production ramp-up of high-strength wire ropes, highly demanded in the nuclear sector. The product is designed for reactor containment overvoltage systems for nuclear power plants.

Metal-Expo'2022

The Company gained six awards of the 28th Metal-Expo'2022 International Industrial Exhibition. Two developments – special ropes for the lowering and lifting of tunnelling tools and technologies for production of corrosion-resistant bimetallic sheet – were awarded the gold medals. Other projects became diploma winners.

Product Quality and Safety Management

The [Quality Policy](#) is the centrepiece for the operation and improvement of the Quality Management System (QMS) at PAO Severstal that is compliant with international standards. The documents governing the product quality management are the Standards for Quality Management System Processes. All methods, means and ways of the product quality management are outlined in separate sections of the Standards and are regularly updated to reflect the changes introduced by the Company and external regulations.

In November 2022, Severstal passed an inspection audit for compliance with ISO 9001:2015, IATF 16949:2016. The quality management system of the Company's main production facilities is fully consistent with the IATF 16949:2016 international automotive industry standard. As and where necessary, the Company considers and meets specific customer requirements for the QMS.

100%

of Severstal's business units are covered by ISO 9001:2015 certification

In June 2022, the St. Petersburg-based metal processing unit of the rolled tube production facility was covered by certification as well

GRI 417-1

On a regular basis and when requested, the Company acknowledges its products' compliance with the EU RoHS2 and RoHS3 directives. In 2022, 28 product safety declarations were issued. At the same time, in the reporting year, the Company suspended the project for issuing the electronic quality certificates due to software difficulties.

The Research Centre laboratories conduct tests for such hazardous impurities as lead, cadmium, mercury, hexavalent chromium, bromine compounds in rolled stock. If there is a necessity to test the rolled stock for phthalates (according to RoHS3), a contract with the SGS research laboratory (Hong Kong) is to be signed so that it performs the ordered tests.

In 2022, Severstal carried out a number of quality management improvement activities, including the following:

- Risk assessment of receiving first orders, orders with modified consumer characteristics

(automated), and second orders was integrated, and the procedure for sorting incorrectly issued orders was implemented.

- Transformation of the customer issues settlement process using the 8D methodology continued: the client contact frequency increased, and the channels for reporting the quality issues evolved.
- A system for detecting changes in the operating procedures and defect rates was implemented, key process conditions and equipment status parameters were established; follow-up control is underway.
- Development of digital certification continued: new systems were installed to automate measurements of product features and process conditions, the use of neural networks for classifying defects was expanded, and 13 machine vision models were developed to identify products exposed to a high risk of defects occurring at the time of production.

In 2022, Severstal met the first time through (FTT) baseline target of 93%. The targets for 2023 are: baseline – 93%, ambitious – 94%.

2023 and Mid-Term Targets

Severstal plans to introduce innovations based on both the in-house developments and the external innovative solutions for the trends and technology areas that are relevant for the Company, including industrial safety, repairs and decarbonisation.

In 2023, the Company intends to ramp up the volume of new product types up to 1.1 million tonnes, while increasing the effect of sales by more than 30%. On top of that, product quality improvements are scheduled to be incorporated in the following three areas:

- Quality culture change – creating a shared interest in eliminating the losses and developing the employee expertise.
- Development of a risk-oriented approach – transition to a proactive system of product quality improvements.
- Use of digital tools – for technology development, order placement, performance control, product quality validation, feedback collection, etc.

External Innovations

Severstal has been advancing external innovations over the years. In the reporting year, the Company and Gazprom launched the Scientific and Technical Development Programme for 2022–2025 aimed at developing and mastering new pipe products, materials, and technologies.

The [Severstal Open Innovations¹](#) website was created for innovative partners who possess expertise and solutions in metallurgy and related industries and are ready to contribute to their implementation. The website provides information about the current focal areas and challenges addressed by the Company. Each user may apply for participation.

Technopark

Severstal's Technopark offers to implement joint projects through the use of the Company's production facilities and engineering potential. It enables third-party developers to make use of the actual production equipment for putting their working results into practice, provides an infrastructure for project implementation, and protects intellectual property.

Severstal Digital Business

Severstal Digital Business sets up new businesses for the metals industry and end users of Severstal products. Areas covered by the programme include online distribution, digital platforms to transform the metals industry, and digital products to create value-added services and address customer concerns.

Third All-Russian Industrial Innovations Forum

Severstal and the Severgroup Business System, in partnership with the Industry Innovation Association, held the Third All-Russian Industrial Innovation Forum. Its purpose is to test a platform for industrial innovation leaders to address the practical challenges of improving the operational efficiency and finding specific solutions to deal with the existing issues, and to identify potential synergies between companies.

¹ This webpage is only available in Russian.

Severstal Ventures

Corporate venture fund Severstal Ventures has been investing for several years in disruptive technologies in new materials, decarbonisation technologies, digital and robotic solutions. Work with startups is built both through direct investment and through investments in core venture funds. The Fund's team uses global best practices and actively develops technology expertise in new areas within the Company.

In 2022, Severstal Ventures employees participated in the Gas Forum, Renewable Energy Conference, and roundtables on hydrogen.

Investing in Ekona Power

During 2021-2022, Severstal was looking for low-carbon hydrogen production technologies. One of the technological focus areas was natural gas pyrolysis. In 2021, Severstal Ventures participated in the investment round of Ekona Power. Disruptive Ekona Power technology will reduce CO₂ emissions not only from metals production, but also from other industrial sectors.

2023 and Mid-Term Targets

In 2023 and the mid-term, Severstal Ventures intends to develop analytics and implement projects in the new metallurgy, energy and decarbonisation areas. Repair technologies, including additive technologies, virtual and augmented reality, industrial safety solutions, steel construction development and composites will also be among the priorities.



055

Social Impact

Human Rights

2022 Highlights

100%

of Company's production personnel are covered by the Collective Agreement

682 persons

completed the training on preventing human rights violations

UN Global Compact Principles

Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2. Businesses should make sure that they are not complicit in human rights abuses.

Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5. Businesses should uphold the effective abolition of child labour.

Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Material Topics

- Respect and protection of human rights

UN Sustainable Development Goals



Approach to Human Rights Management

GRI 3-3

Severstal pays particular attention to conducting its business in accordance with international standards of respecting, supporting and promoting human rights. Human rights issues are addressed by the Company's top management at the meetings of the Nomination and Remuneration Committee and the Safety and Sustainability Committee under the Board of Directors. Day-to-day management of human rights issues is under the authority of Human Resources Director.

In 2022, the Company Board of Directors approved the extended new edition of the Human Rights Policy renamed as Policy for Human Rights and Interaction with Local Communities, Including Minorities and Indigenous Peoples. It applies to all focus areas of Severstal. The policy sets forth the Company's approach to the identification, assessment and elimination of human rights risks in terms of interaction with employees, local communities in the regions of presence, and business partners. In addition, by observing international standards, Severstal abides by the diversity principle in its HR agenda.

Regulatory framework in human rights observance and protection

▪ **Generally accepted international regulations:**

- UN Global Compact Principles
- Universal Declaration of Human Rights
- International Covenant on Civil and Political Rights
- International Covenant on Economic, Social and Cultural Rights
- ILO Declaration on Fundamental Principles and Rights at Work
- UN Guiding Principles on Business and Human Rights

▪ **Legislation of the Russian Federation:**

- Constitution of the Russian Federation
- Labour Code of the Russian Federation
- Federal Law dated 19 June 2000 No. 82-FZ on the Minimum Wage
- Federal Law dated 30 April 1999 No. 82-FZ on Guarantees of Rights of Indigenous Minorities of the Russian Federation

▪ **Other external documents abided by Severstal:**

- Social Charter of Russian Business (the Company joined the initiative pursuant to its membership in the Russian Union of Industrialists and Entrepreneurs)

▪ **Internal governing documents of the Company:**

- Policy for Human Rights and Interaction with Local Communities, Including Minorities and Indigenous Peoples

Severstal assumes a number of obligations related to human rights in its relationship with stakeholders as part of the Policy for Human Rights and Interaction with Local Communities, Including Minorities and Indigenous Peoples.

Respect for Human Rights at Work

Severstal strives to respect human rights at all levels of all divisions and enterprises of the Company and takes respective actions to familiarise its personnel with the Policy for Human Rights and Interaction with Local Communities, Including Minorities and Indigenous Peoples. With that, Severstal takes measures to ensure that employees share the Company's commitment to the principle of respecting, supporting and promoting human rights.

Equality of employment opportunities regardless of gender, race, nationality, age and other aspects not related to professional qualities, as well as zero tolerance towards discrimination, are significant aspects in addressing the human rights agenda. Among the submissions received by the Ethics Committee and the Unified Hotline in 2022, not a single racial or gender (or on any such other grounds) discrimination case was detected.

Duration of working time

To provide for favourable working conditions and maximise employee professional potential, Severstal strives to create a comfortable working environment and follows the standard labour principle that enables the Company's employees to find a healthy work-life balance. For the same reasons, the Company works on reducing the working day through competent working time management.

Prevention of forced and child labour

GRI 408-1 **GRI 409-1-b**

The Company demonstrates zero tolerance to child and forced labour at Severstal's enterprises, in its divisions, and with its contractors. The concept of forced labour and its forms are defined in accordance with ILO Convention No. 29 on Forced or Compulsory Labour and ILO Convention No.105 on Abolition of Forced Labour, both observed by the Company.

Employment of people with limited health abilities

Employment of people with limited health abilities is an important social task that Severstal strives to contribute to. In accordance with Russian laws, Severstal offers quotas for recruiting disabled people via the employment centre, implements the Rehabilitation Programme, and extensively assists with their employment. For example, as of year-end 2022, 128 persons with limited health abilities worked for Severstal companies, of which 81 were employed by PAO Severstal.

Observance of the Voluntary Principles on Security and Human Rights

GRI 410-1

Severstal observes the Voluntary Principles on Security and Human Rights. To safeguard its office facilities and enterprises, the Company carries on cooperation with a private security company. All employees of the said company shall review their job instructions and the Regulations on Access and Site Security Regimes at Severstal that stipulate the respect for human rights in providing the security services.

Prevention of harassment

The Company makes every effort to avoid harassment and other forms of abusive behaviour by timely responding to respective complaints and carrying out own investigation. No instances of misconduct were recorded in 2022.

Human rights risks

GRI 407-1-a

The most significant risks related to the Company's operations affect the rights to a healthy environment, safe working conditions, decent and equal remuneration, freedom of association and collective bargaining. The most vulnerable groups exposed to such risks include employees of Severstal's enterprises, contractors providing services on the Company's premises, and locals residing in the immediate vicinity of production sites.

[For more details regarding sustainability risk management, see the Risk Management section.](#)

Collective bargaining agreement

GRI 407-1-b **GRI 402-1**

Severstal ensures the respect for employee rights to freedom of association, joining trade unions, and collective bargaining. Industry and collective bargaining agreements apply to 95% of all Company employees¹ regardless of their membership in a trade union.

The latest version of Severstal's collective bargaining agreement was approved in 2021 to be effective for another three-year term. The agreement defines the terms of remuneration, the employer's obligations to ensure safe working conditions, social support measures, as well as employee benefits and guarantees on top of those stipulated by the labour legislation. Control over the observance of

¹ Except for employees of AO Severstal Management constituting about 5% of the total Severstal headcount.

the collective agreement terms is exercised by the standing commission composed of 50% of representatives of the employer and 50% of representatives of the personnel. Any employee may apply to the commission on development and control over the execution of the collective bargaining agreement with amendment proposals. Pursuant to the provisions of the collective bargaining agreement, the Company, on a yearly basis, allocates over RUB 1 billion for the purposes of the personnel social welfare. The delivery of the Company's contractual social commitments towards its employees is reviewed at the trade union committee's meetings.

Severstal does not carry on cooperation with contractors exposed to a high risk of infringing the rights to freedom of association and collective bargaining.

[For more details regarding the operations of trade unions, see the HR Management section.](#)

Mining and Metals Company of High Social Performance contest

In 2022, Severstal became the best industry player in the Social and Economic Efficiency of the Collective Bargaining Agreement category by the level of social welfare of its employees, according to the Association of Manufacturers of Mining and Metallurgical Complex of Russia, the Ministry of Trade and Industry of the Russian Federation, and the Mining and Metallurgical Trade Union of Russia. This is the Company's thirteenth win in this contest and the tenth one in this category.

The contest committee awarded the said status in reliance on the delivery of obligations under the collective bargaining agreement by the following criteria: provision of employment, average salary level at the enterprise, occupational health, working conditions, personnel development, youth support, and social benefits.

Winning in this category reaffirmed the fact that Severstal's collective bargaining agreement is one of the best in the industry and that the Company fulfills all of its contractual obligations.

Prevention and Notification of Human Rights Violations

Prevention of human rights violations is an intrinsic part of the Company's activities in promoting respect for human rights. To achieve this, Severstal raises human rights awareness through personnel training programmes.

682 persons

completed the training on preventing human rights violations

Over **2,300** hours

were dedicated to legal aspects of interaction with personnel

Informing about human rights violations also plays a significant part, this being implemented through the communication channels operating in the Company. Violations may be reported via the hotline that accepts complaints and submissions to an electronic mailbox and a dedicated channel for confidential telephone calls. Another way is to send a submission to the Ethics Committee by e-mail or regular mail. Confidentiality is guaranteed in all cases, regardless of the selected communication channel.

If any reported violation is confirmed the Company takes all necessary measures to remedy

its consequences, and measures against the abuser, as well as preventive measures to avoid similar incidents in the future.

In 2022, the hotline received 26 submissions related to violations of corporate ethics and the Code of Business Conduct by the Company's executives and ordinary employees. Each submission was actioned by an investigation and by appropriate remedial measures.

[For more details regarding the hotline and feedback mechanisms, see the Ethical Conduct of Business and Anti-Corruption section.](#)

Observing the Rights of Indigenous Peoples and Ethnic Minorities in the Regions of Presence

MM5 GRI 411-1

Severstal pays significant attention to human rights protection in its relationship with locals, including minorities and indigenous peoples. The Company contributes to the economic development of the regions of presence, thus improving the living standards of local communities and respecting their rights. Moreover, special emphasis is placed on preservation and protection of the cultural heritage of the natives. Severstal's participation in various associations and conferences as well as its ongoing initiatives to develop local communities take account of regional specifics.

Severstal adheres to the principles of holding an open and direct dialogue with the local population and respects the right of all its stakeholders to receive information about the Company's activities. To ensure the observance of these principles, consultations and other forms of involving the local population in decision-making (e. g. issues of the production sites' closure) are practiced at early project implementation stages.

In 2022, no complaints associated with the infringement of rights of the locals were recorded.

[For more details regarding interaction with indigenous minorities and local communities, see the Local Community Engagement section.](#)

Approach to Human Rights Management in the Supply Chain

GRI 409-1-b

The Policy for Human Rights and Interaction with Local Communities also sets out the Company's obligations associated with human rights in its relationship with business partners. Severstal takes measures to make sure its business partners are enabled to be familiarised with the Policy and share the Company's commitment to the principles of respect for, support and promotion of human rights. To prevent human rights violation by business

partners, Severstal has them be informed about the Policy's principles and contents. The Company is guided by the Code of Business Conduct, as well as by the Employee Code of Conduct that prohibits insults and humiliation towards employees and partners in any form.

For more details regarding the requirements to contractors, see [the Responsible Supply Chain section](#) and [the Code of Business Conduct](#).

Gender Equality and Prevention of Discrimination

GRI 406-1 GRI 405-2

Severstal provides equal remuneration terms for both men and women reasoning solely from their professional skills. With that, the Company observes the provisions of the Labour Code of the Russian Federation and restricts female labour in harmful or dangerous working conditions to protect women's health.

For many years, Severstal has been paying significant attention to the professional development of women and alleviation of gender inequality in the metals industry. Since 2017, the Company has been managing the Severstal Women's Club that appears to be the largest such club among all Russian companies. It serves a platform for open communication of its female members, support and networking, which boosts women's self-realisation

GRI 405-1-a GRI 405-1-b

The share of women at Severstal

28% - total share in the headcount

26% - share among the executives

54% - share among the engineering staff

21% - share among the blue-collar jobs

and career growth. The club arranges and conducts various events, such as webinars, meetings, marathons and panel discussions, within the framework of its general activities. On a regular basis, it maintains cooperation with the Women Leadership Forum community and shares best practices with women's clubs of other companies.

Severstal Women's Club

	2020	2021	2022
Number of female members	1,100	around 1,200	2,160
Number of the club's events	10	over 20	over 25

In 2022, Severstal Women's Club hosted over 25 events aimed at developing the leadership and career growth of the Company's female employees, as listed below:

- **Shirt-sleeve meetings:** participation of over 900 female employees in nine meetings with Company senior executives; sharing career-related experiences; promoting role models of Severstal's female leaders.
- **Random-coffee:** sharing experiences and best practices in accomplishing the business tasks; networking; over 200 female participants.
- **Third wave of the Public Speaking marathon:** mastering the public performance skills for employees of the top-1000 and lower level within the framework of the Public Speaking marathon; 67 applications received from employees of the production and functional divisions; 10 marathon graduates.
- **Women's Leadership Week:** reviewing the Severstal Women's Club performance in 2021 at the Club's fifth conference; discussing topical challenges; conducting five topic-specific events with over 700 employees involved; watching meeting video recordings by 1,100 employees; participating in an extended club conference with external experts involved; participating in Markets and Business of Severstal in the New Normal webinar, Conversation about the Important meeting with HR Director, Severstal Women Stories of Success panel discussion, When Your Life Makes a U-Turn Overnight meeting.
- **Panel discussions and webinars:** How Women Sell Metal discussion with 140 participants involved; Career Guidance for Children – How to Help Yourself and Your Child Make the Right Choice webinar attended by 210 participants and held jointly with the Foxford and Netology online schools.
- **Corporate volunteering activities:** conducting the sports events for children without parental support by female members of the Severstal Women's Club.

Collaboration with women's clubs and associations

To share and expand experiences and carry out joint activities, the Severstal Women's Club carries on cooperation with other platforms dealing with women's career growth and discrimination avoidance in the mining sector.

Since 2021, Severstal has been holding membership in the Women in Mining Russia Association that aims to promote gender equality in the mining, metallurgical, manufacturing and other related sectors. Experts of the Association take part in the Severstal Women's club activities, e. g. the Club's 2022 conference.

Talented Woman in the Mining Industry

The Women in Mining Russia Association holds the annual Talented Woman in the Mining Industry contest attended by Severstal's female employees.

In 2022, the Company submitted 13 applications for participation in different practice areas ranging from innovation to mentoring. Six female employees became finalists in the Project of the Year, Innovator of the Year, Social Project, and Mentor of the Year categories.

During the reporting period, female representatives of the Severstal Women's Club together with other such clubs participated in the Skolkovo-based events: they acted as experts in the course of promoting their expertise as female leaders' role models and exchanged best practices with the leading women's clubs of sectoral, federal and niche companies. The said cooperation included the annual School Founder's Day festival and the New Model of Women's Leadership panel discussion.

HR Management

2022 Highlights

49,800

people - average headcount

5.6%

undesirable staff turnover rate

80%

of employees received training

RUB 109.3 thousand

average salary at Severstal

UN Global Compact Principles

Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5. Businesses should uphold the effective abolition of child labour.

Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Material Topics

- Employment practices and ensuring decent working conditions
- HR development

UN Sustainable Development Goals



Approach to HR Management

HR goals progress

Plans for 2022	Progress
<p>Employee health, safety, and well-being, in particular:</p> <ul style="list-style-type: none"> ▪ development of well-being programmes 	<ul style="list-style-type: none"> ▪ A well-being programme launched
<p>Expanding employee development opportunities in the light of the Company's growing needs for new expertise, in particular:</p> <ul style="list-style-type: none"> ▪ extensive promotion of employee support and young professional development programmes; ▪ organisational capacity development within four areas: customer centricity, innovation, investment activity, digitalisation; ▪ deployment of digital tools enabling the efficient involvement of employees in training, with even better relevance; ▪ enhancement of the recruitment system and HR brand advancement 	<ul style="list-style-type: none"> ▪ The leadership programme updated with a focus on a technology track. ▪ Over 1,500 people completed training in organisational capacity development. ▪ More than 7,400 employees received a three level training in digital competencies under Digital Steel programme, the levels, ranging from Basic to Advanced. ▪ The recruitment function fully centralised with a focus on employer IT branding
<p>Corporate culture development, in particular:</p> <ul style="list-style-type: none"> ▪ launch of Severstal Pulse survey and elaboration of employee engagement and employee happiness programmes based on its findings; ▪ development of volunteering and non-monetary employee incentive programmes; ▪ development of team management tools, working time balance maintenance 	<ul style="list-style-type: none"> ▪ Severstal Pulse survey conducted in a pre-pandemic format. ▪ 80% - employee engagement, 85% - employee satisfaction with work for the Company. ▪ Corporate volunteering expanded. ▪ Teamwork training conducted
<p>Further HR transformation:</p> <ul style="list-style-type: none"> ▪ Introducing digital signature to HR document flow; ▪ further automation of transactional HR processes; ▪ HR business partner training 	<ul style="list-style-type: none"> ▪ The three-module HR Towards Business training programme for HR business partners implemented: 50 employees trained, 14 training events held

GRI 3-3

Highly qualified and responsible personnel is one of the key pillars of Severstal's sustainable and successful development. This urges the Company to strive to create all conditions necessary and possible for professional and personal growth of its employees and their motivation.

Severstal adheres to an integrated approach to governing the HR management issues and carries out comprehensive activities to arrange and update its internal documents in this area. Thereby, the Company takes account of legislative requirements and responds to external challenges in a timely manner.

HR management key documents:

- [Employees' Code of Conduct](#)
- [Whistle Blowing Policy](#)¹
- [Personnel Recruitment and Onboarding Regulations and Recommendations](#)²
- [Personnel Training and Development Regulations and Recommendations](#)³
- [Regulations and Recommendations on the Dialogue on the Personnel Goals and Assessment](#)⁴
- [Payroll Policy](#)⁵

¹ This document is only available in Russian.

²⁻⁵ It is an internal document not available to the general public.

Severstal has a well-defined and multi-level organisational structure for personnel and labour practice management. It stipulates respective competencies of the governing bodies, determines and delineates their functions, which ensures high quality performance.

Board of Directors

- HR management and control



Management Board and CEO

- Review and approval of the HR Strategy Report
- Evaluation of the selected management approach efficiency



Remuneration and HR analytics Department

- Setting up a motivation and remuneration system
- Establishing a budgeting process for staff costs
- HR analytics and HR integration

Talent Management Department

- Competence management
- Talent retention and development
- Talent pool development and HiPo work
- Providing employees with modern digital tools for competence development and career building

Organisational Performance Department

- Organisational design
- Headcount Management
- Performance Management

Talent attraction and Digitalisation Department

- Building an employer brand
- Securing the right talent pool
- Building an external talent pool
- Creating the best employee and candidate experience

HR Management Department

- Organise and oversee the maintenance of personnel records in accordance with the law
- Maintaining military records and reporting
- Ensure provision of social benefits and guarantees to employees
- Ensure the process of preparing documents for granting state and corporate pensions and granting corporate and external awards to employees

Social Policy and Intangible Incentives Department

- Development of a system of social benefits and non-financial incentives
- Monitoring of engagement, development and implementation of tools to improve engagement
- Development of employee well-being programmes
- Development of corporate volunteering

Strategic business partnership Function

- Supporting business units in implementing strategic employee development goals, improving team performance, change management
- Supporting HR processes
- Advising and coaching executives

Severstal constantly improves its approaches to human resources management, personnel development, and social policy enhancement. In 2022, the following changes took place:

- centralisation of recruitment and adaptation processes, introduction of unified work standards;
- enhancement of the basic HR processes efficiency (personnel support, training);
- retention of key personnel through working with high-potential employees.

To identify negative factors and implement timely measures to manage impacts on HR processes, Severstal carries out assessment and monitoring activities. In 2022, a new risk was factored in, that is employee downtime during operating rates decline.

Key human capital risks

Key risks	Risk mitigation measures
Incomplete compliance of employees with qualification requirements	<ul style="list-style-type: none"> ▪ Implemented professional training programmes
Errors in HR document flow	<ul style="list-style-type: none"> ▪ Introducing digital signature
Personnel downtime during operating rates decline	<ul style="list-style-type: none"> ▪ Personnel redeployment to other business units of the Company - system implemented
Potential employee social tension growth related to payroll, working conditions, and personnel displacement	<ul style="list-style-type: none"> ▪ Efficient communication and feedback system in effect. ▪ Salaries maintained above the average level applicable in the regions of presence; social support measures for employees and their families implemented. ▪ Dialogue with employees, regular meetings between the management and trade union leaders, coordination of activities to optimise the headcount

Severstal People¹

GRI 2-7 EM-MM-000.B

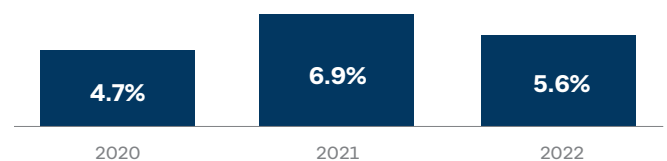
Severstal has created a team of highly qualified specialists focused on professional growth and striving to contribute to the successful development of the Company. In 2022, the average headcount decreased by 7% reaching 49.8 thousand employees. The majority (79%) is employed by Severstal Russian Steel division. The major share of average headcount (61%) accrues to Cherepovets, where the Company's core production assets are located.

GRI 202-2 GRI 401-1

4.6 thousand new employees were hired in the reporting period, including 1.3 thousand women and 3.3 thousand men. When hiring managers, specialists and workers, the Company focuses on local labour market in the regions of presence.

Severstal strives to maintain staff turnover rates below industry average. The Company determines special staff turnover metrics as part of internal monitoring. Starting from 2021, Severstal has been applying the undesirable employee turnover rate assessment that is mostly in line with the industry methods and allows to compare the results with the peer companies. In 2022, the value reached 5.6%, which is lower than 6.9% in 2021. The decrease is mostly due to the general labour market trends.

Employee turnover (undesirable)²

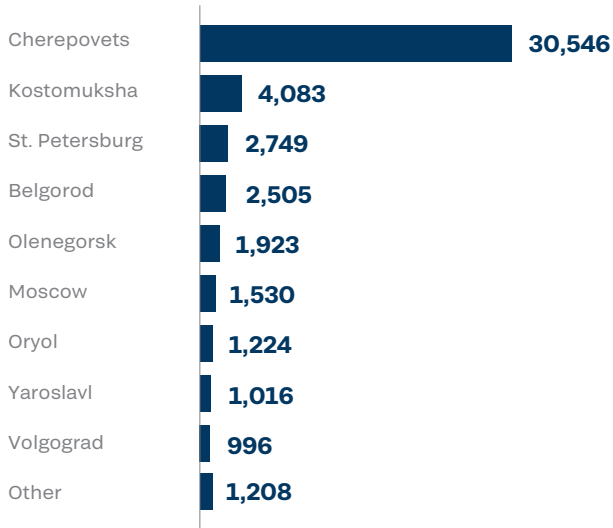


¹ The headcount data in this section takes account of AO Vorkutaugol up to April 2022 when the company withdrew from Severstal.

(Number of employees leaving the company voluntarily @ (other than retired employees, relocated employees or those who leave the company for family reasons))

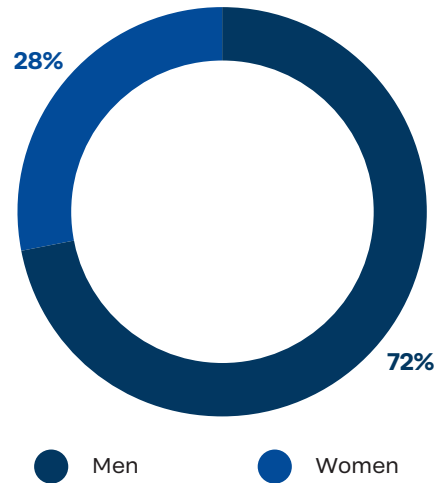
² Undesirable staff turnover = $\frac{\text{Number of employees leaving the company voluntarily @ (other than retired employees, relocated employees or those who leave the company for family reasons)}}{\text{Average headcount}}$

Average headcount by region in 2022, people

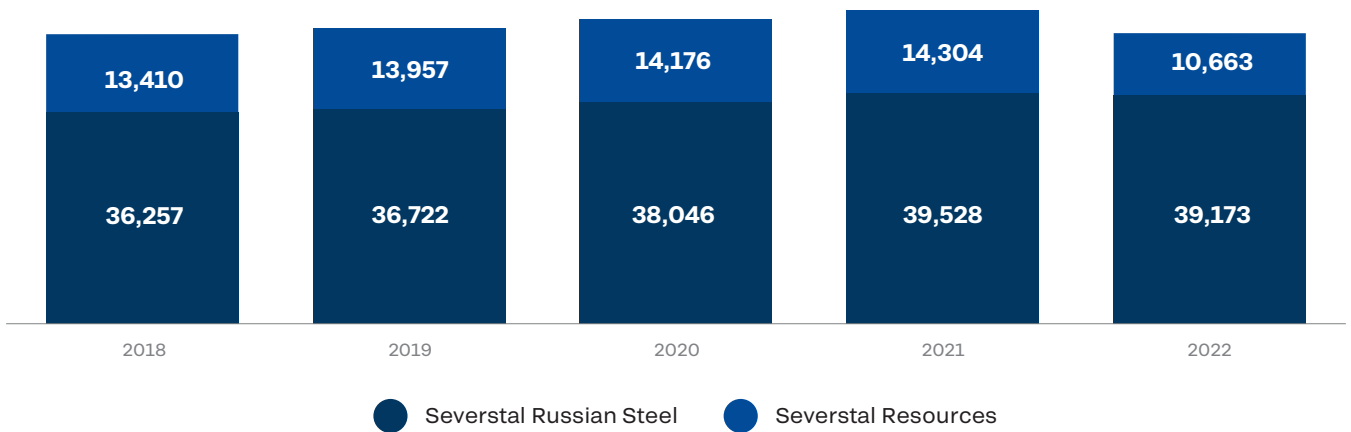


GRI 405-1-b

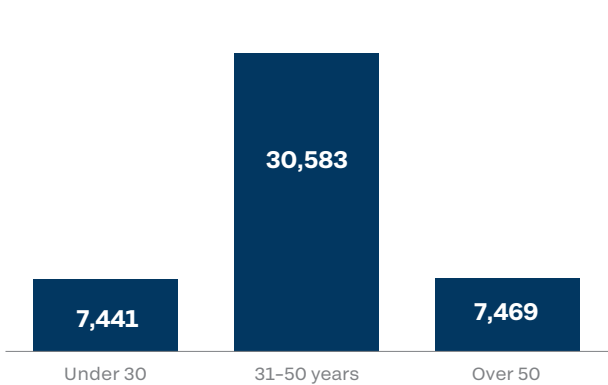
Staff composition by gender in 2022, %



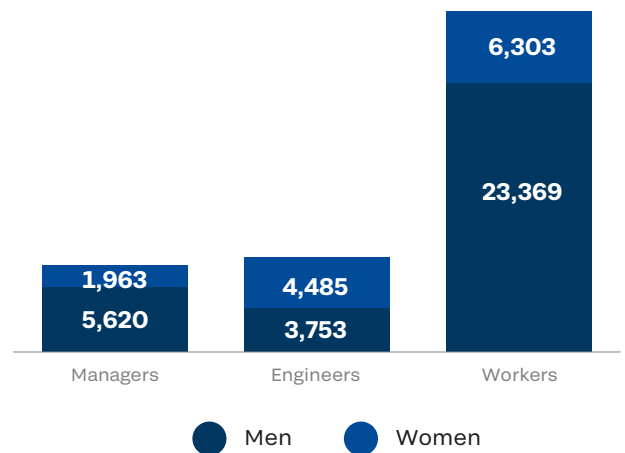
Average headcount by division, people



Staff composition by age in 2022, people



Staff composition by category and gender in 2022, people



Severstal strives to maintain diversity in its personnel structure and prohibits any discrimination based on gender, age, origin, nationality, religion or other reasons.

In the reporting year, the personnel age structure remained unchanged, with the largest share (67%) of employees aged 30–50.

Due to industry specifics, men constitute the majority (72%) of Severstal employees. At the same time, the Company makes every effort to support the female

team and create equal working conditions for all employees. The share of women remained flat over the past three years (28%). This is considered to be a high number for the industry. The largest number of women remains among engineering and technical workers (54%).

[For more details regarding the gender balance management and support of women at Severstal, see the Human Rights section.](#)

Personnel Attraction and Onboarding

GRI 401-2

Attracting talents is one of Severstal's priorities in HR management. The Company develops tools to attract experienced employees and promising young talents.

Development of the Employer Brand

Over the reporting year, Severstal conducted a large-scale campaign using various forms of the audience engagement, including publications in state media and social networks, webinars by the Company's management, interviews and success stories of employees from various divisions.

In the 2022 HeadHunter annual survey, Severstal was ranked 24th among the 50 top companies employing over 5 thousand people, thus improving its previous position by 11 spots. Among companies of the industrial sector, Severstal ran second gaining 7.1% of jobseekers' votes in this category

In the reporting year, Severstal implemented a number of additional initiatives aimed at raising its brand awareness in the IT community: an online hackathon for data analysts and data scientists, participation in major conferences, several meetings for data engineers, and publications in the corporate blog on habr.ru portal about own projects.

Severstal won the first place among the manufacturing companies in the Employer IT Brand rating structured by ECOPSY consulting company and Habr.ru IT portal. The IT brand strength constituted 56.2% whereas the brand recognition among the Habr.ru users reached 84%

Severstal's HR specialists continue to carry out the External Talent Pool project. The recruiters formed an external talent pool for 30 key positions and work with external specialists.

Attracting Young Talents

Severstal implements a comprehensive programme for interaction with schoolchildren and students and employment for young specialists. Over the reporting year, the number of students who completed their internships at Severstal increased by 16%. The total number of trainees reached 2,505. The Company managed to achieve these through additional enrolment of groups of students for high-demand specialties in the preceding year. A total of 309 graduates were hired by Severstal, which is lower by 63% against 2021. The decrease is due to the overall reduction in employment within the Company caused by a number of negative external impacts.

Severstal's expenditures to support secondary special education institutions amounted to over RUB 28 million as in the preceding year

Cooperation with educational institutions in 2022

Educational institutions	Activities
<p>Schools</p>	<ul style="list-style-type: none"> ▪ Career orientation programmes, including Warm Heart of the Russian North project. ▪ Specialised classes in Vorkuta and Cherepovets. ▪ Engineering classes in Cherepovets (6 classes, 180 schoolchildren). ▪ Lectures by Severstal employees and case studies. ▪ Classes at the Cherepovets State University, Steelmaking Centre and Quantorium Children's Technopark. ▪ Special-purpose training contracts with graduates of Cherepovets engineering classes
<p>Secondary special education institutions</p>	<ul style="list-style-type: none"> ▪ Visits to production sites, lectures by Severstal employees. ▪ Scholarship payments for students undergoing internship at Severstal. ▪ Smart Steel intellectual game. ▪ Metal Cup metals strategy championship. ▪ Career counselling
<p>Higher education institutions</p>	<ul style="list-style-type: none"> ▪ Partnership agreements with higher education institutions, joint educational programmes. ▪ Practical training and internship at Severstal's enterprises. ▪ Visits to production sites, online meetings with experts. ▪ Nominal scholarship programmes for students. ▪ Launching Steel Hub (115 applications, 6 participants) and IT Hub internship programmes (over 1.6 thousand applications, 34 participants). ▪ BIM school for students and teachers. ▪ Arranging and holding case competitions

Professionalitet federal project

As a key participant to Professionalitet programme, a federal project aimed to establish a new level of secondary vocational education, Severstal will allocate about RUB 21 million for project implementation.

The project covered two colleges – Metallurgical and Technological – on the basis of which Metallurgy and Mechanical Engineering clusters were established. In Cherepovets, 425 students commenced the advanced training course. The project includes the following activities:

- comprehensive upgrading of the colleges' facilities and resources following the employer's request;
- teaching staff's skills upgrade;
- involvement of Severstal's production experts in the teaching and learning process;
- implementation of new educational programmes.

Subsequently, the graduates will be able to acquire several highly qualified blue-collar jobs and gain the required hands-on experience followed by a shorter adaptation period in terms of production environment and a higher level of engagement and motivation.

New Hires Onboarding System

Severstal makes every effort to facilitate the onboarding process of new employees. The Company offers them a number of activities, including professional training and courses focused on business understanding and key aspects of career development at Severstal.

The Company maintains SNAMI application for onboarding and personnel training. The application provides new employees with the necessary information from the moment of a candidate's decision to apply for a job in the Company. In a line-driven quest format, new employees meet with the Company's representatives, pass tests, and study all respective materials and cases required for their onboarding. Quarterly onboarding workshops are held for newly hired young people. Over 700 newcomers used the application during their onboarding period in 2022. Over the reporting period, tracks for mentors and students undergoing internships at Severstal were introduced.

Severstal operates a mentoring system aimed to assist new employees in a comfortable and prompt onboarding and improve a psychological climate in the working environment. Mentors render assistance in forming a career and personal development plan and in mastering professional and leadership skills. To increase mentor involvement, the Company offers them monetary incentives for successful training of students.

¹ This webpage is only available in Russian.

Over **2,200**

mentors were involved in employee onboarding in 2022

Severstal Leadership Programme

In 2022, Severstal launched the ninth wave of the [Leadership Programme](#)¹ focused on attracting graduates and young talents with high leadership potential. To that, the programme was updated to focus on a technology track.

Participants to the programme have an opportunity to gain experience in project work in the Company's key business areas, such as marketing and e-commerce, finance, sales, research, and innovations.

Successful applicants receive four six-month long internships in different departments to study business process efficiency improvement tools master the key projects management skills and learn to apply them in practice under the supervision of mentors from the top 12 and top 100 managers (ranging from the division's CEO to local managers).

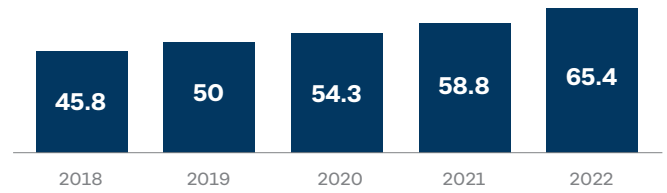
Upon completion of the two-year programme, the most successful participants get employed by the Company with access to career development opportunities. It is expected that within 5-7 years after the completion of the programme, they will be able to join the top 100 managers. A total of 19 participants were selected in 2022 to commence their work in Cherepovets.

Remuneration and Incentives¹

GRI 202-1-a GRI 405-2-a

Severstal provides a competitive level of remuneration to retain its employees, enhance their engagement, and acquire new, talented and highly qualified specialists. The Company performs a regular assessment of the level of remuneration in the regions of presence to maintain competitive salaries and ensure timely response to changes.

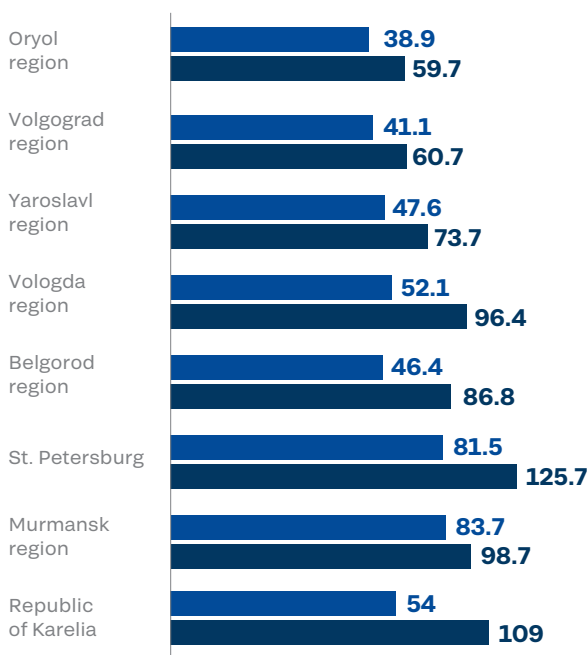
Payroll dynamics, RUB billion



The Company’s HR department, on a regular basis and to the full extent, notify employees of any changes in the remuneration system, collect feedback to be further on used in developing new approaches.

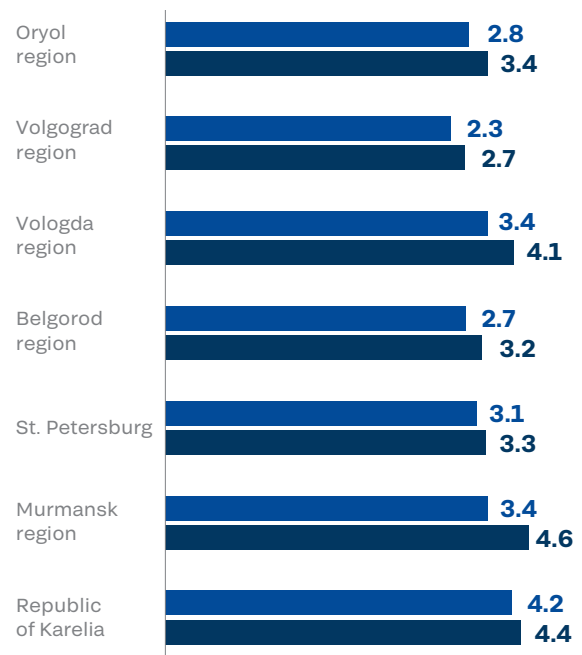
The Company indexes the salaries of its employees on an annual basis to ensure that the average salary level exceeds the same in each region of presence. In 2022, salaries were indexed by 9%. The payroll fund increased by 11% in the reporting year reaching RUB 65.4 billion.

The ratio of average salaries of Company employees to the region average² in 2022, RUB thousand



● Average salary in the Company
 ● Average salary in the region

Ratio of standard entry-level salary (blue collars) to the minimum monthly salary in the regions of presence³ in 2022



● Men
 ● Women

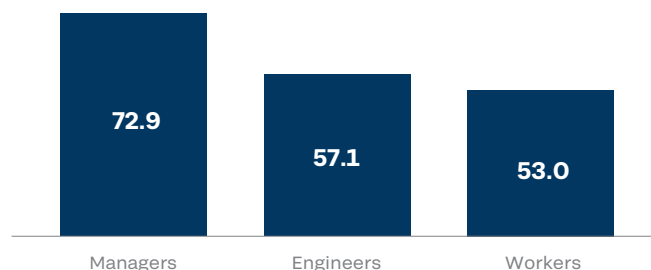
The principles of remuneration, structure and salary control procedure are established by the regulatory acts of the enterprises that are in compliance with the legislation and the corporate remuneration policy. Severstal abides by the transparency rules in respect of its remuneration system for all employees. The Company strictly follows the principles of gender equality and provides equal salary for each category of employees regardless of their gender in all business units.

¹ The aggregate salary and remuneration data in this section takes account of AO Vorkutaugol up to April 2022, when the company withdrew from Severstal.

^{2,3} Goskomstat of Russia data.

Differences in average salaries are due to the fact that women are not represented in all positions available in the Company. For instance, for engineers and workers, there exist high-paying professions with particularly difficult and hazardous working conditions that are not allowable for women under the national legislation. Differences among the managerial staff occur due to a higher number of men holding these positions.

Average amount of standard entry-level salary by category, RUB thousand



Expenditures for personnel, RUB million

	2018 ¹	2019	2020	2021	2022
Payroll	45,761	50,030	54,303	58,772	65,354
Social security	1,524	1,506	1,250	1,539	1,851
Pension liabilities	483	492	480	471	506
Total	47,768	52,028	56,033	60,782	67,711

Personnel support

Given a high inflation rate and significant financial performance, in 2022, the Company's management made a decision to considerably increase salaries and provide bonuses to address financial difficulties of employees. Those measures were intended to encourage efficient work and achieve high performance.

In April 2022, PAO Severstal increased salaries by 9% for all employees. Beyond that, in February, all employees received an additional one-off payment in the amount of one monthly salary but no less than RUB 50 thousand.

Accordingly, in view of the salary raise and lumpsum remuneration, income of all Severstal employees significantly exceeded the inflation rate. The Company spent a total of RUB 15 billion on salaries increase and bonuses in the reporting period.

At the same time, the Company's incentive system provides bonuses based on the achievement of annual, quarterly and monthly goals. The structure of the annual bonus by types of goals and categories of employees as well as its amount are determined in the local regulations of the enterprises.

Severstal continues to develop a Long-Term Management Incentive Programme (LTIP) to retain key personnel. Bonuses are subject to the achievement of two key indicators: share price and EBITDA.

Focused on unlocking the potential of each employee and achieving high results, Severstal system of intangible motivation involves public recognition and incentives for achievements. In 2022, the practices of rewarding PAO Severstal's best mentors and young workers were extended to resource enterprises – Karelsky Okatysh and Yakovlevskiy Mine. On top of that, 10,184 employees received corporate awards, and external awards were received by 612 employees.

¹ The 2018 data was updated by expanding the scope of calculation (covering Severstal Resources, Severstal Metiz, and AO Severstal Management).

Company’s young specialists receive a number of benefits enshrined in the Engagement Policy for Students, New Graduates and Young Professionals¹, such as:

- signing bonuses;
- subsidised housing;
- reimbursement of relocation expenses (tickets and luggage);
- reimbursement of travel costs to a vacation destination or family residence and back once a year within Russia.

Severstal has a Youth Council that includes representatives of most of the Company’s business units. There are regular divisional conferences for young professionals in Cherepovets.

Performance Management System

Severstal has a goal setting system that applies to all Company employees. It transparency of the Company’s performance management process. To assess the performance, two key values are used: key performance indicators (KPIs) as well as objectives and key results. All Severstal employees are subject to regular performance assessment. The Company uses three main methods: 360 Degree, HR committees and Discussions of Goals.

360 Degree

360 Degree assessment helps identify employee strengths and areas of development using feedback from managers, colleagues, subordinates, customers, business partners, and functional experts. At the next stage, the results of this evaluation are used in HR committees and Discussions of Goals as well as to compile individual development plans.



HR Committees and Creating a Talent Pool

One of Severstal’s strategic areas of HR development is to foster the internal talent pool. There are two ways for employees to be included in the pool: nomination by the manager in the HR committee or self-nomination. The criteria for the candidates to be included in the talent pool are as follows:

- high performance;
- compliance with the Company’s values;
- mobility and motivation to develop;
- compliance with the high leadership potential criteria.

HR committees operate at various management levels. The talent pool development system is as transparent as possible – all employees have a clear understanding of the promotion criteria.

The top level is represented by the Central HR Committee responsible for the appointment of key executives, includes CEO, directors of production and functional units.

HR committees discuss career development issues and retention of leaders. In order to prepare and develop the succession pool candidates, an individual development plan is drawn up for each of them, including training programmes in major business schools and corporate programmes, such as Severgroup Leaders and Steel Reserve as well as project activity, internships and substitution of managers.



¹ It is an internal document not available to the general public.

100%

succession pool coverage of the top executive team reached

For 90%

of top managers, there are talent pool members with a high leadership potential verified through the relevant review procedure

Foreman talent pool training programme

In 2022, Severstal launched the Steel Reserve, a practice-oriented acceleration programme to enhance the foreman talent pool. The project aims to provide the HR coverage for a foreman position as the most widespread managerial role in the Company.

The programme makes it possible to train an employee for a new position within one month, including the necessary occupational health and industrial safety competencies, expertise in manufacturing and repair techniques, and digital skills. Talent pool candidates master tools to improve operational performance and enhance their communicative, public speaking, project-related and teamwork skills.

The training has already been conducted at three Cherepovets Steel Mill production facilities. About 40 employees took part in the project. In 2023, Steel Reserve is expected to be launched in the Company's other business units in Cherepovets as well as across the resource units. At least 100 Severstal employees will complete the programme.

Discussions of Goals

Severstal successfully operates a goal setting system that covers all the employees and ensures the transparency of the performance efficiency management process. The Company holds annual Discussions of Goals to review performance of all categories of Severstal employees.

48,917

employees took part in the Discussions of Goals in 2022, including 16,906 managers, specialists and office staff, and 32,011 workers

Employee Training and Development¹

GRI 404-1-a GRI 404-2-a GRI 404-2-b

Severstal works on the proficiency enhancement of its employees by optimising corporate training and development systems. Managers at all levels, ranging from line managers to the CEO, are involved in the development of training plans and programmes. The content of educational programmes and training topics are determined based on the Company's development strategy and the set of competencies that may be in demand for professional growth of employees.

In 2022, the Company's top priorities in the personnel development area stayed the same, namely:

- talent pool and HiPo employees;
- building the key organisational capacity;
- training system enhancement with a focus on centralisation.

¹ All data in this section is net of AO Vorkutaugol that withdrew from Severstal in April 2022.

Severstal's corporate training programmes

Programmes	2022 Results
Professional training	<ul style="list-style-type: none"> ▪ Executive training programmes: legal aspects of work with employees, Management School (309 employees) and Steel Reserve (59 employees), Severstal Leadership business laboratory (135 employees). ▪ Training for foremen and workers: Foreman School (260 employees), second professions training (2,008 employees), professional retraining, See and Act programme, professional excellence competitions at Cherepovets Steel Mill (18 competitions involving 419 people). ▪ Multifunctionality at work training programmes, including the use of VR/3D simulators
Development of managerial, personal and business competencies	<ul style="list-style-type: none"> ▪ Career accelerator programmes to promote workers to production-related managerial positions. ▪ Training programme for business leaders to be teaching new Company executives. ▪ Programmes to increase performance of current managers of different levels and promote new managers
Development of functional competencies	<ul style="list-style-type: none"> ▪ Digital Steel programme to enhance employee digital skills in cybersecurity, data handling, digital networking, and process digitalisation. ▪ Functional training programmes based on competency assessment: customer centricity, investment project management, innovations, IT, MRO and OHS. ▪ Internal training activities: Debate Club and Negotiation Tournament. ▪ Life safety programme: Protection in Emergencies, Civil Safety, and First Aid to the Injured e-courses. ▪ Top Tech internal expert development programme

Digital Steel development programme expansion

The Digital Steel development programme has been functioning in the Company for several years and is intended to increase the digital competency of Severstal employees. In 2022, it was supplemented with two new courses:

- Substituted Communication Services Contour deals with corporate tools and services that may be used to address business targets.
- Synapse deals with latest messenger features to date: chats, channels and conferences, links to instructions in the knowledge data base.

Engineerium innovative space

In 2022, Severstal launched the Engineerium innovative educational space. The platform operates at Cherepovets Steel Mill's rolling unit and is designated for training and upskilling the current employees as well as for career guidance and educational events for students, including the Professionalitet federal project framework.

There are five programmes available for VR training. A realistic and carefully designed virtual training environment introduces new employees to the enterprise and its operations before they attend to work. The VR environment completely matches a real workshop environment, thus ensuring an application-oriented and highly accurate mastery of operations.

Severstal has innovations, client experience, controlling and project management academies in place that are focused on developing the competencies and professional skills of employees of various departments. A Training Centre for workers was launched to promote professional education in the field of metals and mining.

All Company employees are provided with continuous learning tools: electronic libraries, online trainings on personal performance development, distance learning courses, webinars with guest speakers.

In 2022, the Company elaborated and tested new e-learning courses on general topics: HR Legal Affairs, Severstal's Climate Strategy, ProClimate: Management of GHG Emissions, as well as general engineering courses and modular programmes to master the professions of a battery machinery operator, sinter plant operator, and furnace helper. The share vs the total number of employees who completed the distance training has been increasing year after year and reached 67% in 2022.

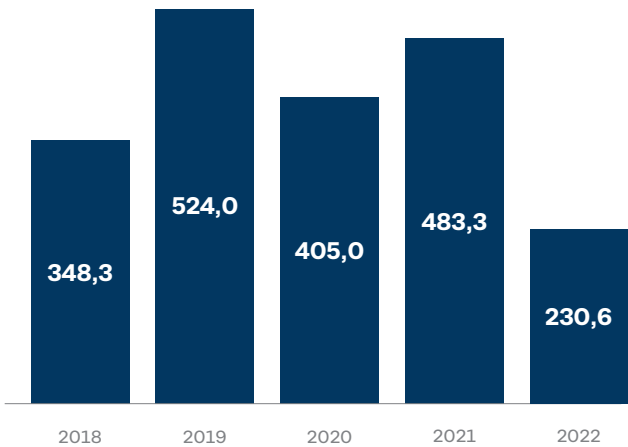
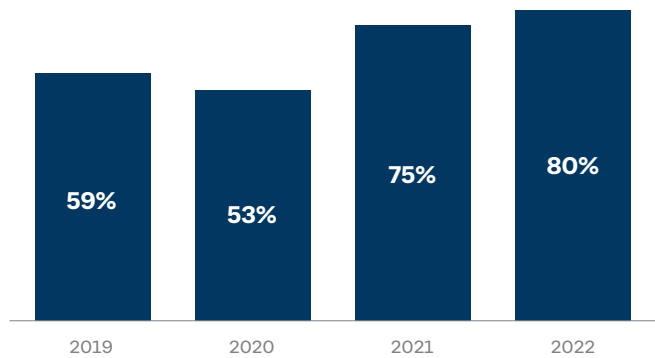
The share of employees (including managers) involved in the training process reached 80%. It increased by 5 p. p. against 2021 as certain programmes were held in-house, and due to the large-scale OHS training

In 2022, total investments in the personnel development programmes decreased by 47% year-on-year and amounted to RUB 230 million. The decrease is mostly due to the Company's budget constraints in 2022 caused by a volatile external economic landscape.

GRI 404-1-a

Personnel development expenses, RUB million

Share of employees involved in the training process, %

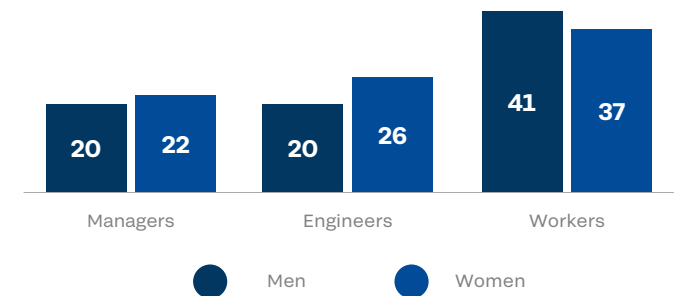


In 2022, the average training duration per employee¹ was 56.3 hours, which almost coincides with the previous year metric.

Average training duration by gender and employee category, hours

GRI 404-2-a

Severstal arranges employee training at external educational institutions for their reskilling and career enhancement. In 2022, due to negative external economic impacts the scope of this type of training was reduced, while certain programmes were transferred to the in-house mode.



¹ UNCTAD C.2.1. Average hours of training per year per employee.

RUB **48** million

were spent on external training for employees of Russian Steel division and the Management Company

9,345

managers, specialists and office workers completed professional retraining in 2022, which is a 43%

GRI 404-2-b

Retraining programmes are highly sought by employees who are unable to perform his/her professional duties for medical reasons. In 2022, 18 employees underwent retraining and were transferred to other jobs.

Employee Satisfaction and Engagement

Severstal seeks to involve its employees in the Company's development to the utmost. To achieve this and assess the level of employee engagement and satisfaction, the Company conducts its annual Severstal Pulse survey. In 2021, the opinion survey was replaced with quarterly express surveys, which made it possible to promptly obtain information on social sentiment in business units, including those transferred to remote work.

However, in 2022, the Company chose to return back to its traditional Severstal Pulse survey. Almost 42 thousand employees, or 84%, were covered by the survey, which is a record-breaking number over the entire time of its existence since 2013.

80%

stand for employee engagement, according to the results of Pulse Survey

85%

stand for employee satisfaction with their work for the Company

Social Security

GRI 401-2-a

Severstal implements social support measures towards its personnel, with fundamental principles and approaches governed by collective bargaining agreements and contracts in effect at Severstal's enterprises. In 2022, collective bargaining agreements of certain enterprises were amended in terms of the amounts and procedure for paying a compensation for moral damage in the event of inflicting life harm and injuries to employees.

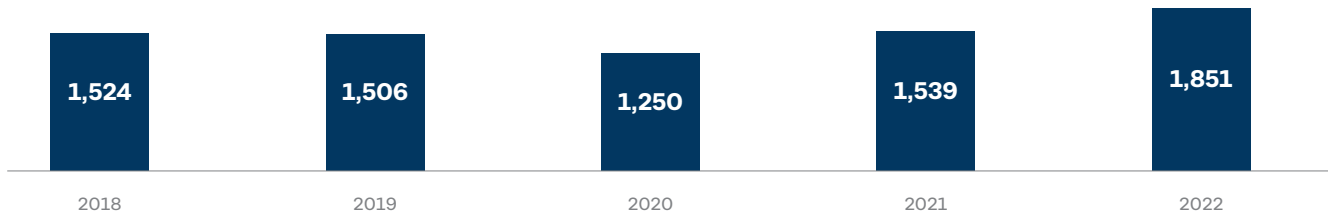
All Severstal employees are entitled to a recruitment package that encompasses statutory benefits and financial aid pursuant to the collective bargaining agreement (regular and lump-sum payments). Likewise, the Company cares about the retired employees and veterans and extensively invests in social support and material aid to veteran workers on a yearly basis.

No significant changes took place in Severstal's social policy in the reporting period. Further to the social policy audit conducted in 2021, there were identified certain priority areas for employees.

Social expenses for employees increased by 20% in 2022 reaching more than RUB 1.8 billion. The structure of social expenses remained unchanged and covered:

- collective agreement payments;
- voluntary health insurance;
- health resort and wellness programmes;
- sports and culture activities;
- social and living conditions improvement.

Personnel social expenses, RUB million



GRI 407-1-b

Severstal respects the employees' labour rights and the right of assembly and association. To date, Severstal enterprises have primary organisations of Miners' and Metallurgical Workers' Union of Russia. Under the complicated circumstances of the 2022 financial situation, the Company managed to preserve for its employees all social guarantees and benefits stipulated by the collective agreement.

The Company's management and HR departments on a mandatory basis coordinate any amendments to the working conditions, wages and social guarantees with the trade union. Moreover, Severstal holds regular discussions with the trade union representatives, including for the purpose of updating collective agreements.

Any Severstal employee may submit a complaint related to the violation of freedom of association and collective bargaining using various feedback channels.

Social and Living Conditions

All Severstal enterprises have a common standard of social and living conditions to ensure decent working environment in administrative and production areas. The 5C system being used for this purpose ensures optimisation and security of the workspace making it more comfortable.

Healthcare

GRI 403-6-a GRI 403-6-b

Severstal takes a responsible approach to healthcare and provides voluntary health insurance to all its employees. In 2022, 600 Olcon employees received medical treatment under voluntary health insurance system, and 284 employees of Karelsky Okatysh and members of their families used health resort and rehabilitation treatment (the enterprise's total expenses amounted to RUB 16.3 million).

In 2022, the Company continued implementing its comprehensive healthcare programme Severstal Health aimed at:

RUB 320 million

the investments allocated for improving social and living conditions amounted in 2022

- improving the health of employees and reducing the level of sickness, disability and mortality among the personnel;
- increasing the availability and quality of healthcare services and creating the conditions for efficient medical aid at a prehospital stage;
- enhancing the preventive aspect of healthcare;
- promoting the principles of active and healthy lifestyle among the personnel.

To address the above challenges, the Company implements measures for preventing diseases and developing the first medical and sanitary aid system on the base of its enterprises in the regions of presence, as well as for preventing and treating occupational diseases.

The company provides employees and their families with vouchers to health resorts, sports and children's summer camps. During the reporting year Severstal Russian Steel provided around 5,000 vouchers to its employees and 3,500 vouchers for their children to health resorts and sports camps, as well as 920 vouchers under the Mother and Child programme.

Pension Programme

GRI 201-3-a **GRI 201-3-b** **GRI 201-3-d**

Severstal carries out a number of activities for its non-working retired employees and veterans, thus continuing to support them after retirement. Non-working retired employees receive monthly payments, and medical assistance from the Company's medical unit. They have access to 20+ social, financial and charitable support benefits.

#DLYASVOIKH

The development and launch of the #DLYASVOIKH well-being programme to generate an integrated approach to healthcare and well-being of employees represent the Company's essential area of activity in 2022.

The key pillars of the programme are:

- Health (preservation of physical and mental health and occupational longevity); Finance (financial literacy, corporate discount programmes);
- Emotional involvement (helping others, networking with like-minded people, activities for families); and
- Self-improvement (professional and personal development, career building).

In 2022, RUB 508 million were allocated to social support measures for non-working retired employees, which is an 8% increase against 2021

Severstal pays monthly bonuses to 20 thousand pensioners via the Blago charitable foundation, depending on the length of their employment. Pensions are subject to indexation on a yearly basis

7,800 pensioners receive medical assistance at Severstal's medical unit

Family Security and Benefits

GRI 401-2-a **GRI 401-3-c**

Severstal's corporate culture envisages social guarantees and support for employees' families. The Company offers the following social benefits:

- employee bonus on the birth of a child;
- monthly supplement for employees on parental leave until the child reaches the age of 3;
- monthly supplement for employees who have three or more dependent children under 18;
- monthly supplement for widows (widowers) with dependent children under 18;
- monthly supplement for guardians of children under 18;
- financial aid or hardship loan for employees in hardship.

All Severstal female employees are entitled to a maternity leave and respective benefits in accordance with the legislation of the Russian Federation. Employees on parental leave may apply to work part-time. The collective agreements contain provisions for additional days off on the occasion of important family events.

Resulting from such care for the well-being of its employees, Severstal over the years has been keeping the 100% return-to-work share both for women and men returning to work after parental leave.

Parental leave

	2019	2020	2021	2022
Share of employees who returned to work after maternity/paternity leave	100%	100%	100%	100%
Share of men remaining in the Company after returning to work after parental leave	53%	54%	44%	58%
Share of women remaining in the Company after returning to work after maternity leave	73%	68%	72%	66%

Corporate Culture

Severstal pays particular attention to creating and maintaining a positive environment for its business units' staff and for the Company in general. Trust and respect for employees, focus on reaching high efficiency through compliance with corporate standards and setting common goals are the foundation of Severstal corporate culture. It also includes a free exchange of ideas among employees to unlock their professional potential to the utmost.

In 2022, the following events took place to develop Severstal's corporate culture:

- Engagement Leaders best practice competition;
- exchange of best practices on increasing engagement between Severgroup companies;
- volunteer movement development activities.

Severstal encourages and promotes regular sports and health events, spartakiades and championships within the divisions, arranges festivities on the occasion of professional holidays, and runs a variety of cultural initiatives.

Corporate Volunteering

Severstal carries on with developing the volunteer movement among employees treating it as an important element of the Company's corporate culture in accord with its strategic priorities. In 2022, corporate volunteering became a separate HR management area. Severstal employees support families with children in hardship, help elderly and disabled people and animal shelters, and participate in the environmental activities.

Severstal's Corporate Volunteering Council comprises managers of various functions who inspire employees to take part in volunteer events by example. The Council's proceedings are administered by a volunteer development leader from Severstal's Social Policy and Intangible Incentives Department. Many volunteer projects are implemented by the Youth Councils and individual

employees: e. g. each enterprise has a volunteer movement ambassador who acts as a leader and organiser. Employees perform these functions at the enterprises on-the-job. Their status as volunteer movement leaders is documented by an order of the Company's HR Director.

In 2022, Severstal significantly updated its corporate volunteering programme. The Company conducted a survey among its employees to identify their key volunteering areas of interest.

The amendments are supported by a series of centralised volunteer projects that are being implemented in the majority of the Company's cities of presence. These include the Clean Industrial Spring environmental project aimed at beautification of the cities of presence, Good Summer project, etc.

Key areas of volunteering activities

- Helping children
- Helping the elderly
- Environment
- Beautification of the cities of presence
- Intellectual volunteering

A total of over 900 participants from Severstal's nine cities of presence were involved in the implementation of centralised projects. For instance, 100 top managers took part in Good Summer centralised campaign.

More than **900**

employees participated in the volunteering activities in the regions of presence

In 2022, the Company joined the National Council for Corporate Volunteering (NCCS) and headed the NCCV representative office in Vologda Region. For 2023, the Company schedules roundtables and training sessions with representatives of the Vologda Region business community and expects to involve regional volunteers in Severstal's centralised campaigns.

Over the reporting year, the following new communication tools for interacting with Company employees were introduced:

- Corporate Volunteering section in employee personal profile;
- Severstal Volunteers section in the Company's corporate newspaper;
- communication channel in the corporate messenger;
- updated Corporate Volunteering section on the intranet portal.

For several years running, the Company's charity initiatives won the Champions of Good Deeds volunteer projects competition held by the Managers Association and the National Council for Corporate Volunteering.

Every year, Severstal employees join the campaigns arranged by the Way Home charitable foundation. For example, as part of the Special Occasion campaign, children from the families supervised by the foundation receive confectionery and congratulations on the occasion of their birthdays. Volunteers make donations that are to be used as payments in favour of baby-sitters for children with disabilities, purchase rehabilitation equipment, and provide targeted assistance to families with children in hardship.

[For more details regarding charity and sponsorship projects, see the Social Investment section.](#)

2023 and Mid-Term Targets

Severstal's HR management targets are as follows:

- talent retention and development: introduction of a self-nomination programme and new incentive and retention tools, deployment of an updated leadership programme;
- development of key competencies: organisational capabilities and digital skills, training in multifunctional production, development of foremen and shop superintendents;
- teamwork: diagnostics of the level of team cohesion and an updated team session methodology, training to master the skills for conducting team sessions;
- continuous training system improvement: training coverage growth, improvement of the vocational training system, including cooperation with universities and colleges, renewal of the management training architecture and soft skills;
- implementation of six centralised projects under the corporate volunteering programme; increase in the number of corporate volunteers.



Development of the Regions of Presence

2022 Highlights

RUB **3.0** billion

social investments¹

Over **300**

socially important projects worth RUB 2.2 billion implemented in 12 Russian regions

UN Global Compact Principles

Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2. Businesses should make sure that they are not complicit in human rights abuses.

Material Topic

- Participation in the development of the regions of presence

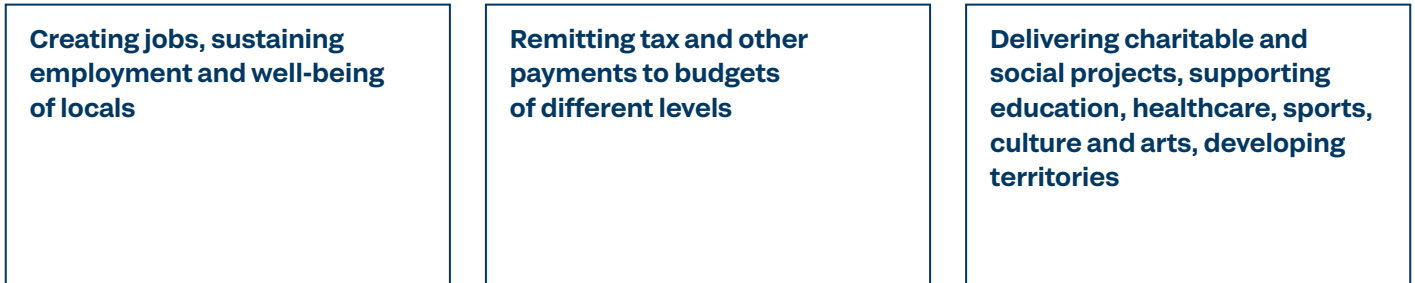
UN Sustainable Development Goals



¹ The amount of social investments includes charitable donations, expenses on sponsorship projects, and also social expenses (including on personnel, support for company veterans, etc.). These figures are presented in accordance with IFRS.

Social Investments and Social Partnership

Severstal contributes to developing the regions of its presence and improving the living standards of local communities. To do so, the Company's activities cover the following focus areas



Targets for 2022	Progress status
<p>Improve performance metrics of the key social and charitable programmes</p>	<p>Done.</p> <ul style="list-style-type: none"> ▪ The scheduled social and charitable programmes implemented in a fast-paced environment. ▪ Performance under the Way Home (Doroga k domu) charitable foundation projects improved; cooperation with the Agency for Urban Development expanded
<p>Increase the interaction efficiency with local communities, including indigenous peoples and minorities</p>	<p>Done.</p> <ul style="list-style-type: none"> ▪ Activities aimed to support indigenous peoples and minorities accomplished through conferences on preserving the Vepsian culture in Karelia and festivals of the Sami people in Olenegorsk
<p>Replicate the programme for supporting talented children to the key regions of presence</p>	<p>In progress.</p> <ul style="list-style-type: none"> ▪ The programme scaled up in the region of presence - the city of Cherepovets
<p>Evolve pro bono volunteering that implies expert and professional assistance to charitable, public, and other non-profit organisations on a free-of-charge basis</p>	<p>Done.</p> <ul style="list-style-type: none"> ▪ University lectures: over 100 speaking engagements on sustainable development held at universities of Russia and delivered by Company representatives; arranging in-house workshops for representatives of non-profit organisations

Approach to Managing the External Social Programmes

External social programmes are administered in a unified manner across all business units and at all enterprises of PAO Severstal. The approach to managing these is set forth in the internal regulations on human rights, corporate social responsibility (CSR), sponsorship and charitable activities.

Key documents on corporate social responsibility

- The Corporate Social Responsibility Policy defines the fundamental CSR ideas and the Company's top priorities
- The Corporate External Social Programme Management Policy establishes a uniform understanding of the goals, principles, and core areas of elaborating and implementing the Company's external social programmes for all enterprises and divisions
- The Corporate Standard for the Management of Sponsorships and Charitable Activities outlines the major forms of sponsorship and charity activities as along with the principles and procedures for their coordination
- The Human Rights and Community Relations Policy (Including Indigenous Peoples and Minorities) sets forth the Company's human rights commitments undertaken towards the in-house staff, locals, and business partners

The updated Human Rights Policy was adopted in 2022, to cover engagement with local communities, including minorities and indigenous peoples. Severstal acknowledges that business operations play an important part in the human rights protection and guarantees that the Company's activities do not lead to human rights abuses in the regions of presence. With that, the Company reaffirms its commitment to develop the regions of its presence and involve local partners.

The social investment targets and strategy are defined by Severstal's management in accordance with the Company's present-day objectives and local communities' demands.

Social investment management

Divisions in charge	Functions
CSR and Brand Department of the managing company	<ul style="list-style-type: none"> ▪ Planning and budgeting the external social programmes ▪ Developing the social policy methodology and strategy ▪ Company-wide coordination of the programmes and projects delivery
Heads of functions	<ul style="list-style-type: none"> ▪ Stakeholder engagement ▪ Interaction with mass media, authorities, and local communities as part of CSR programmes in the regions of presence
HR departments at the Company's enterprises	
Communications and investor relations departments at the Company's enterprises	

The key areas of Severstal's social investments are:

- development of the potential of the regions of presence and fund-raising;
- comprehensive SME support and assistance to social entrepreneurs;
- construction and maintenance of social infrastructure facilities, urban improvement and landscaping;
- support for families and childhood, and for vulnerable groups;
- support for cultural, educational, and sports institutions.

Severstal's social investment activities are guided by stakeholder needs and expectations, for which reason the Company leads an open and direct dialogue with local communities and

holds consultations at early stages of project implementation. On top of that, the Company performs social sentiment monitoring in the regions of presence on a regular basis.

To efficiently support vulnerable groups and create a comfortable urban environment, Severstal assists non-profit social organisations in their activities and interacts with the authorities at different levels. Entering into social partnership agreements with local governments of the regions of the Company's presence is an integral part of the said interaction. In 2022, the Company signed a cooperation agreement with the Belgorod regional government to evolve the mining sector and deliver environmental and settlement beautification projects, as well as educational and social protection programmes for local residents.

Community Engagement Mechanisms

GRI 413-1 | EM-MM-210b.1

Engagement mechanism	Description
Discussions with local communities	<p>In accord with the legislation in effect, the Company holds discussions with representatives of local communities on various project implementation issues. Such issues may cover the arrangement of new production sites. The press services of project initiating divisions are in charge of organising the consultations and offering the recommendations for discussion.</p> <p>To ensure the targeted use of social investments, the Company forms task teams composed of Severstal experts, government officials, representatives of cultural and educational institutions, non-profit organisations, and community groups and associations.</p>
Interaction with local governments	<p>In the course of interaction with local communities, Severstal considers region-specific features of the regions of presence and strives to meet domestic demands through cooperation with regional and local authorities that are well aware of the current needs and expectations of locals. The Company determines its social investment approach in close partnership with local authorities.</p>
Feedback mechanisms	<p>The Company's corporate website and social media accounts represent Severstal's feedback mechanisms designated for the local people. The official pages of AO Severstal Management's CEO and heads of PAO Severstal's divisions and enterprises on social media are the communication channels of equal importance.</p>
Public opinion poll in the cities and towns of presence	<p>On an annual basis, Severstal conducts a public opinion poll in the cities and towns of its presence to assess the extent to which the Company meets the criteria for a contemporary and developing business, a socially responsible and attractive employer. The poll has been conducted for the last 25 years under a unified methodology and involves over 2.5 thousand respondents from the following regions of the Company's presence:</p> <ul style="list-style-type: none"> ▪ Vologda region (Cherepovets); ▪ Republic of Karelia (Kostomuksha); ▪ Murmansk region (Olenegorsk); ▪ Belgorod region (Yakovlevo and Stroitel). <p>According to the 2022 findings, most respondents (62%) asserted that Severstal takes care of their city and region and contributes to addressing the social challenges.</p>
Other obligations envisaged by the Policy for Human Rights and Interaction with Local Communities	<p>In its decision-making on arranging new, or closing down the existing, production sites, Severstal conducts a statutory audit and respective assessment where there is a need to relocate local residents, and places attention on the economic development of the territories after decommissioning of its production facilities.</p>

The gorod.severstal.com website¹ was set up for efficient communication and open discussions on public services and amenities with Cherepovets residents. The website offers a feedback option at any stage of the project being implemented by the Company

¹ The website is only available in Russian.

Participation in the life of Indigenous Peoples and Minorities

GRI MM5 **GRI 411-1**

No indigenous minorities live in the immediate area where PAO Severstal carries out its business activities but they do reside in the regions of the Company's presence. For this reason, one of Severstal's priorities is to protect the rights of indigenous peoples living on their ancestral lands.

For example, the Republic of Karelia is home to the Karelians, Veps, and local ethnic groups of indigenous Russians – Zaonezhans, Pudozhans, and Pomors. The Murmansk region is inhabited by 17 ethnicities treated as indigenous minorities of Russia, with the Sami – the indigenous peoples of the Kola Peninsula – constituting the biggest group.

Severstal observes the principles of the UN Declaration on the Rights of Indigenous Peoples and, accordingly, implements projects designed to preserve the ethnic culture, enhance the region's cultural potential, and protect the environment. The Company delivers such projects in cooperation with public associations of indigenous peoples of the North.

Festival of creative industries - Factory of Emotions

Severstal provided support in arranging and conducting the Factory of Emotions festival in Cherepovets aimed to develop creative industries, including arts and crafts. The festival programme included master classes in pattern weaving, one of the most popular types of traditional art in the Russian North. The event ended with the Way of a Craftsman exhibition demonstrating the participants' artwork. The project was backed by the Presidential Foundation for Cultural Initiatives.

Severstal regularly monitors its impacts and guarantees that its activities do not lead to human rights abuse towards local communities in the regions of its presence. The Company operates own communication channels listed in the Policy for Human Rights and Interaction with Local Communities and designated for receiving information on any human rights abuse towards local residents in connection with the Company's operations.

[For more details regarding communication channels, see the Human Rights section.](#)

The projects implemented in 2022 include:

- Providing support to two Sami music and culture festivals and children's theatre groups Moaynas Lann performing in the Sami language in Olenegorsk.
- The Power of Sami Traditions project aimed at elaborating and promoting Sami crafts, preserving the traditions of Sami arts and crafts, and developing the community of Sami craftsmen.
- Support for Viena, the Karelian cultural society in Kostomuksha, including remittance of the funds for purchasing the Russian mobile stove for cooking national dishes during mass gathering events.
- Financing the development of documentation on restoration of the house of the Onchi merchant, it being a cultural heritage site located in the old rune-singing village of Voknavolok in the Kostomuksha urban district.
- In the context of the Days of Karelian culture, providing support to the State National Theatre of the Republic of Karelia on tour in Kostomuksha.

The 2023 targets are as follows:

- Providing financial support to the Society of Karelian Culture and Folk Music Group in Karelia.
- Providing support to the Sami people festival to be held in Olenegorsk.

Development of Territories' Potential and Entrepreneurship

The Company's contribution to developing the regions of its presence is manifested by its direct participation in economy or infrastructure development programmes and projects as well as by supporting the local small and medium-sized enterprises (SMEs).

In selecting its contractors, Severstal opts for small and medium-sized entrepreneurship.

Beyond that, the Company carries on cooperation with regional SME support organisations. In 2022, within the framework of cooperation with SMEs of the Vologda region, Severstal increased its share of purchases from small and medium-sized businesses while retaining the growth pattern despite the overall purchase volume decline.

For more details regarding procurement and local supplier engagement, see the [Responsible Supply Chain](#) section.

As Severstal's key asset is located in Cherepovets, the Company heavily invests in its development. It is mostly due to Severstal's involvement that the city has a status of the territory of advanced development that implies special tax treatment for resident companies. The Cherepovets Steel Mill is one of the leaders in the steel industry, which is a major driver for attracting the talents and ideas from across the country.

Agency for Urban Development of Cherepovets

In 1999, Severstal and the Cherepovets Mayor's Office established the Agency for Urban Development (hereinafter referred to as the Agency) operating on a public private partnership basis. The Agency's mission is to foster economic development of the city, region, and certain areas of the Company's presence through lending support to SMEs. The Agency is a party to the municipal Support and Development of Small and Medium-Sized Entrepreneurship, Strengthening of the Investment and Tourism Appeal of Cherepovets for 2022-2026 programme.

Performance metrics of the Agency for Urban Development in 2022

Focus area	Performance
Business education	<ul style="list-style-type: none"> ▪ Educational events: 40 ▪ Number of learners: 700
Development of cooperation with local authorities	<ul style="list-style-type: none"> ▪ Events: 30 ▪ Attendees: 900
Market expansion support	<ul style="list-style-type: none"> ▪ Events: 15 ▪ Attendees: 100 ▪ Total goods and materials purchased from Vologda region businesses: RUB 24.6 billion
Informational support for SMEs and promotion of entrepreneurial activities	<ul style="list-style-type: none"> ▪ Events: 500 ▪ Attendees (net of mailing list recipients): 200
Business networking	<ul style="list-style-type: none"> ▪ Business events: 15 ▪ Attendees: 880 ▪ New Time: Economy. Business. Investment Forum
Resource and Methodology Centre	<ul style="list-style-type: none"> ▪ Educational and business events: 23 ▪ Attendees: 560
Business consulting	<ul style="list-style-type: none"> ▪ Business and support programme counselling and services: 5,000
Arranging municipal fairs	<ul style="list-style-type: none"> ▪ Events: 50 ▪ Attendees: 400
Tourism promotion events	<ul style="list-style-type: none"> ▪ Events: 14 ▪ Attendees: 348

In 2022, the Agency for Urban Development became a winner in the NPO Economy nomination of the Change Management. Visionaries award as a system-based socio-economic development project and, together with PAO Severstal, also won RSP's Organisations of High Social Responsibility contest

In 2022, the Agency's assistance covered the setting up of 52 new businesses, creating 478 new jobs and preserving 919 jobs in the region. On top of that, at year-end 2022, the investments in the Cherepovets economy amounted to RUB 1.8 billion.

In 2022, Severstal took the lead in conducting the Get Involved! grant competition aimed to develop the culture of involving the city residents in generation

and delivery of urban beautification and development initiatives. Upon completion of the competition, the amount of RUB 4.0 million was allocated for the socially significant projects implementation within the urban territory of Cherepovets. The competition was administered by the Agency for Urban Development, its support was rendered to 11 projects in the Green City, Humane City, and Creative City categories.

Capacity building of municipal services

As part of cooperation between Severstal, the Agency for Urban Development, and the St. Petersburg State University Graduate School of Management a pilot project was launched to advance the professional expertise of municipal servants in charge of administering the municipal programmes.

The project's major objective is to improve the efficiency of dealing with citizens' issues. For this purpose, community outreach centres are being established in 26 districts of Cherepovets. The training methodology for municipal servants covers the following areas of interest:

- strategic management of the territory;
- maintenance and operation of public utilities;
- general legal literacy in housing and public utilities;
- customer centricity;
- citizens' appeals handling;
- budgeting, tariff and rate setting.

The pilot project is scheduled for completion in June 2023.

Assistance in Improving the Urban Environment Quality of Cherepovets project

PAO Severstal and the Kindness of the North (Dobrota Severa) charitable foundation signed an agreement underlying their joint work on implementing the Assistance in Improving the Urban Environment Quality of Cherepovets project. The foundation acts as the project's operator and centre of expertise. Its objective is to search for and integrate best available practices in urban planning and urban environment management mechanisms.

Severstal and the foundation engage the leading architectural firms dealing with the key areas of developing the urban environment in terms of science, available techniques and technologies, and logistics. It is important to note that the city residents are directly involved in the conceptual design process.

The first stage of the project entails the reconstruction of two public spaces - the historical part of Sovetsky Avenue and the Serpentine Park, the central one in the Zashheksninsky district. These sites are recognised by experts as the key and strategic ones for further improvement of Cherepovets based on the overall outcome of applying the relevant evaluation methods. In 2022-2023, investments in the project implementation are expected to exceed RUB 1.5 billion.

Social Investments

GRI 203-1 GRI 413-1

PAO Severstal's social investment agenda is focused on supporting cultural and educational projects and cooperating with non-profit organisations and local communities. On a yearly basis, the Company extensively invests in social projects aimed to help vulnerable groups, such as veterans and families with children in difficult circumstances, and in the social orphanhood prevention programme. With that, Severstal tends to extend its charitable activities covering the free aid to people, financial and material support to organisations and foundations, along with its membership in non-profit and self-regulating organisations.

Severstal was granted the best company status in the For Contribution of Social Investment and Charity in the Development of Territories nomination at the regional stage of the Russian Organisation of High Social Performance – 2022 national competition

In the reporting year, Severstal accomplished a number of new social initiatives in a variety of areas. This refers to the launch of an integrated project for the Cherepovets urban development covering the reconstruction of public spaces, allocation of funds for cultural institutions support and construction of 21 sports grounds, inclusive of provision of the equipment.

In total, Severstal implemented over 300 socially important projects in 2022, with its social investments, inclusive of charity, sponsorship, and social personnel costs, amounting to RUB 3 billion.

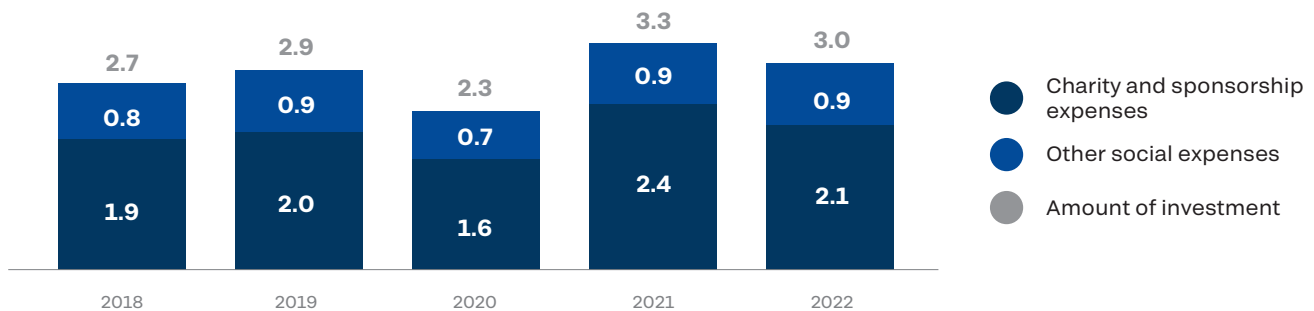
Corporate Charity Leaders

Severstal once again entered the top list of the annual Corporate Charity Leaders rating of the Donors Forum. The Company's two programmes won the same-name social programme competition, namely:

- Way Home charitable foundation's grant competition ran first in the Best Programme Promoting Sustainable Development through Grant Competitions (Best Grant Competition) category.
- Museums of the Russian North project was recognised the best in the Best Programme to Support Culture and Arts nomination.

A total of 60 companies and their divisions took part in the Corporate Charity Leaders project in 2022, of which 39 were ranked. About 100 applications were submitted for the nomination contest.

Amount of social investments, RUB billion¹



¹ Presented in accordance with IFRS.

Charity and sponsorship expenses by specific areas, RUB thousand

Area	2021	2022
Sports	1,112,588	1,052,700
Support for public and business organisations	384,508	121,202
Contribution to infrastructure development and beautification	372,020	125,670
Culture and arts	160,891	193,105
Support for socially vulnerable groups	109,956	106,684
Education	108,557	89,239
Healthcare	32,437	7,092
SME support	12,424	8,490
Public environmental activities, initiatives	5,506	16,952
Other	101,113	425,983

Beautification programmes in the regions of presence in 2022

Location	Programmes
Cherepovets (Vologda region)	<ul style="list-style-type: none"> ▪ Sports grounds improvement in different city districts: 21 children's sports grounds installed ▪ Setting up a section dedicated to a healthy lifestyle, health, human anatomy and physiology in the Museum of Nature ▪ Co-financing the Solyanoy Sad creation and contributing to attracting a grant from the Ministry of Construction, Housing and Utilities of the Russia Federation ▪ Lending support to the Cherepovets cultural institutions (repairs, replenishment of facilities and resources) ▪ Purchase of equipment and rendering support to at the medical staff of the Vologda regional children's hospital ▪ Projects implementation within the framework of the local communities development grant competition held by Severstal
Kostomuksha (Republic of Karelia)	<ul style="list-style-type: none"> ▪ Co-financing the project for the construction of an indoor skating rink in Kostomuksha ▪ Financial aid in setting up a museum dedicated to the life and work of composer Gennady Vavilov, at the Kostomuksha children's music school ▪ Sports Childhood programme for equipping the kindergartens with sports grounds. ▪ Refurbishment of the Giproruda sports complex
Olenegorsk (Murmansk region)	<ul style="list-style-type: none"> ▪ Beautification of the territory of the Open-Air Stone Museum

Guided by the local communities' needs, Severstal renders charitable and sponsorship assistance to its regions of presence and their residents through the following established foundations:

- Way Home charitable foundation;
- Blago charitable foundation;
- Milyutin Charitable Foundation.

Likewise, the Company carries out joint activities with its partners, such as Zabota Integrated Social Services Centre of Cherepovets and the Cherepovets District.

Beyond that, Severstal has been developing the corporate volunteering over the years by effectively involving its employees in the charitable activities and delivery of social projects.

[For more details regarding the corporate volunteering programme, see the HR Management section.](#)

Way Home Charitable Foundation

Way Home Charitable Foundation was established in 2005 on the initiative of Severstal's management and with support from the city of Cherepovets Mayor's Office. The foundation carries out regular activities in seven regions of Russia, where it arranges and coordinates the implementation of a targeted same-name charitable programme focused on dealing with social orphanhood and juvenile delinquency challenges.

In 2022, Way Home charitable foundation of PAO Severstal raised an extra amount of over RUB 40 million as grants to expand its activities.

Presidential Grants Fund:

- Horizons of Friendship project to adapt a model of forming tolerant behaviour in interpersonal relations among students of different nationalities to reduce ethnic conflicts in secondary schools of Cherepovets; and
- You are Not Alone project to provide comprehensive support to forced migrants.

Presidential Foundation for Cultural Initiatives:

- This is My City project aimed to involve the teenagers of Cherepovets in the reformation of their hometown and to bring up their territorial identity;
- Theatrical Theme project designated to create and test a model of contemporary interactive theatre for teenagers as a way to raise their interest in this form of leisure.

Since 2023, Severstal has been cooperating with Kindness of the North charitable foundation in order to search for and explore best available practices and attract federal-level experts.

The Foundation focuses on such areas as culture and education support, development of a healthy and comfortable urban environment, and target-focused social projects

Contest of the Vologda region government to grant subsidies to socially oriented non-profit organisations:

- Grant-Descent Mobile Resource Centre and Grant-Descent Mobile Resource Centre 2.0 projects aimed to develop competences in social design and compose grant applications among executives, specialists, volunteers of budget institutions and NPOs, civic activists, and representatives of local communities.

Absolute-Help charitable foundation:

- Family Circle project aimed to mitigate the risk of social orphanhood of children from birth families where parents fail to cope with various factors of social disadvantage on their own, by rendering comprehensive support to families at early stages of the crisis.

Good City of St. Petersburg charitable foundation (in partnership with The Elena and Gennady Timchenko Charitable Foundation):

- Family Club. We are so different project aimed to help migrant families.

Elena and Gennady Timchenko Charitable Foundation:

- Crisis Centre for Women with Minor Children Subjected to Domestic Violence project aimed to render comprehensive support; and
- winning the Very Necessary contest for rendering the emergency aid to sponsees in the form of obtaining the bare necessities.

In 2022, for the second time in a row, Way Home Foundation ran first in the RAEX Rating of Corporate and Private NPOs according to the Transparency of Operations group of indicators.

It was also ranked 13th in the overall ranking of NPOs in terms of partnership capacity, and 20th in terms of public acknowledgement and social and mass media activity (out of 819 NPOs in Russia)

Way Home: Social Partnership in the Name of Children

Way Home is a programme to prevent social orphanhood and youth delinquency launched in 2006 under the personal patronage of Alexey Mordashov, Chairman of PAO Severstal's Board of Directors. The programme is coordinated by Way Home charitable foundation, and in 2022, it was implemented in eight regions of Russia. In September, the programme was joined by the Belgorod region where a social project for comprehensive support to disadvantaged families with children was launched.

The key areas of the programme include:

- prevention of social orphanhood in families with children experiencing the crisis and conflict situations;
- support to families bringing up children with special needs;
- prevention of delinquent and self-destructive behaviours in minors;
- emergency psychological and social aid to minors and their families; and
- child welfare professionals support.

A large module of Way Home programme entails the work with underage adolescents constituting a delinquent behaviour risk group. Specialists work both with the children and their families. Teenagers are also offered various forms of brain-building leisure activities. Since 2020, several organisations in Cherepovets have been operating the educational spaces – the Youth Parking project where children take additional classes in mathematics, Russian and English languages, play football and volleyball, go in for swimming, practise drawing and dancing, visit museums, and attend career guidance meetings. The educational spaces' activities were arranged as follows:

- Stairs (Lestnitsa) Art Space – communication and creativity areas;
- SkyLime Territory – military and sports activities; and
- Challenge Anti-Cafe – engineering and information areas.

To overcome the difficulties that lead to individual or family disadvantages, minors and their families receive various kinds of assistance from programme specialists – psychologists, lawyers, and social mentors. In 2022, more than 16,000 people, including over 10,500 minors, received help and support from specialists.

In addition to specialists' services, families and children may, as and where necessary, receive targeted humanitarian aid in the form of bare necessities and foodstuffs. Funds for such support are raised by the foundation in the form of donations from organisations and private charity providers. For instance, the programme includes the New Year Gift for Every Child campaign held every year. In 2022, 753 children from disadvantaged families received gifts worth over RUB 800,000. The delivery of gifts for physically disabled kids was arranged by Severstal's volunteers. In the context of another annual campaign Let's Get a Child Ready for School, stationery, backpacks, school and sports uniform, footwear for more than 300 children were purchased for a total of over RUB 560,000. In the reporting year, the amount of about RUB 7.5 million was raised to support disadvantaged families.

Safe Childhood

On the eve of the International Children's Day, Way Home Foundation held the Safe Childhood information marathon for the second year in a row. The marathon aims to draw public attention to the child safety challenges in today's world.

For 17 days, the marathon website was publishing the topic-specific materials, such as instructions on how to create a safe environment for kids, announcements of events on important aspects of safety, video tips from psychologists, and memos for parents and professionals.

Creation of favourable conditions for the life and development of children in families is crucial for ensuring the safety of minors. In 2022, such conditions were created for 1,719 children in 979 families.

Way Home programme highlights for 2022

Number of cities/towns covered by the programme	10
Number of projects implemented	43
Number of partnerships with government agencies	91
Number of experts involved	268
Number of individuals who received free professional psychological, legal, and financial support	about 16,500
Prevented cases of new-born abandonment	5 of 6
Number of adolescents exposed to reduced risk of delinquencies	438 of 883
Number of children for whom a safe and favourable family environment was provided	1,719
Number of apartments refurbished by Severstal's volunteers for disadvantaged families with minors	5
Number of minors exposed to reduced risk of self-harm and suicidal behaviour	541 of 582
Number of parents who improved their parental expertise owing to the programme	2,256
Number of child welfare professionals who improved their expertise under the programme	571 of 720
Number of individuals who received emergency psychological aid via the hotline	6,536

Way to Success programme is designated for creating an ecosystem to develop motivated, gifted, and talented schoolchildren in the areas of natural sciences, humanities, and engineering creativity. At the same time, a community of motivated and qualified teachers and experts tends to evolve to contribute to the work with gifted and talented schoolchildren.

The programme improvements are constantly underway, and to meet the present-day challenges, its educational component was supplemented with research, methodological, and information projects.

The research project deliverables made it possible to identify the life strategies and social representation of the gifted schoolchildren of Cherepovets, which allowed to harmonise the content of developmental activities within the programme.

Corporation of Success project is targeted at elaborating a model for an educational institution to deal

with gifted children within the Teacher-Student-Parent system that, once tested in Cherepovets, may be used by specialists in other cities of presence of Severstal.

Under Road to Knowledge project, specialists, through the use of media technologies, familiarised the urban community with success stories of talented children and opportunities for their self-accomplishment and professional self-determination.

In 2022, about 1,000 schoolchildren took part in the programme's developmental activities. Compared to 2021, the number of children more than tripled.

Under Way to Success programme, the project and research programme XXI Century Engineer was once again successfully implemented to involve 8-10 grade schoolchildren in a two months long process of elaborating their own projects under the guidance of university lecturers and experts in 2022. Pursuant to the results, 24 winners were awarded educational grants.

Number of participants to the Way to Success programme in 2022

Total number of participants to the programme	177 teachers 982 schoolchildren 23 parents
Number of participating schoolchildren	
advanced tracks in school subjects	309
Cherepovets: Science Territory annual competition	77
preparatory programme for the All-Russian Olympiad of Schoolchildren in the Science area	339
Number of teachers who completed advanced training courses	125

Culture and Arts Support

Over the decades, Severstal has been paying primary attention to supporting Russian culture and arts. The Company renders support to the State Academic Bolshoi Theatre of Russia, the State Academic Mariinsky Theatre, the State Tretyakov Gallery, the Pushkin State Museum of Fine Arts, the State Russian Museum, the State Historical Museum, the Golden Mask Festival, the Moscow Synodal Choir, and to a lot more.

In 2022, Severstal completed its social investment programme for supporting the cultural institutions in Cherepovets. Under the project, the Company allocated a total of about RUB 5.5 million in favour of 11 cultural institutions for the purposes of repair works, provision of equipment, and arrangement of events.

Golden Mask Theatre Festival

In 2022, Severstal, for the thirteenth time, became a partner of the Russian National Theatre Golden Mask Award and Festival. In the context of the XXIX Festival, Moscow hosted 180 performances from 25 cities. With the Company's support, the following plays were performed in the regions of its presence:

in Cherepovets:

- The Tale of Tsar Saltan staged by the Perm Academic Theatre-Theatre;
- Dead Souls staged by the Poisk Theatre (Lesosibirsk, Krasnoyarsk Region);
- Marriage staged by the State Academic Maly Theatre;

in Petrozavodsk:

- Serezha staged by the Chekhov Moscow Art Theatre;
- Dead Souls staged by the Poisk Theatre (Lesosibirsk, Krasnoyarsk Region);

in Kostomuksha:

- Tuk-Tuk and Autumn Flowers staged by the St. Petersburg State Theatre of Musical Comedy.

Museums of the Russian North Programme

The 2022 Museums of the Russian North programme aims to encourage sustainable development of northern regions through the support of new areas and forms of museum work. It focuses on mainstreaming a historical and cultural heritage of the Russian North, identifying the best initiatives of regional museums, and improving the expertise of museum staff. The programme runs in 12 Russian regions.

The key components of the programme are:

- online intensive course attended by 65 museum workers from 12 regions;
- online and distance learning competition followed by 17 applications from ten regions accepted and supported;
- two-stage grant competition held in five categories won by 11 projects from five regions; and
- mentoring programme.

In 2022, 50 museums participating in the grant competition joined the international Night of Museums event.

Style of Steel Children's Art Competition

Each year, Style of Steel, a children's art competition, is held in partnership with the Cherepovets city administration. In 2022, the competition was dedicated to board games related to the native land history and resulted in compiling models of board games about the local history, including the metallurgy milestones, native land history, biographies of historical figures, and local history dates. Preschool educational institutions, families, and schoolchildren aged 10 to 17 took part in the competition.

The Cherepovets Metallurgy Information Centre (Steelmaking Museum) established by PAO Severstal won the IV International Marketing Competition in the field of tourism PRObrand. The project ran third in the Branding of Tourist Organisation or Traveller Attraction nomination. In 2022, the museum was visited by 15,390 people

Support for Sports

Severstal pays considerable attention to the development of sports in the regions of its presence. The Company is a general sponsor of one of the oldest hockey clubs in the country – the Severstal Hockey Club that plays in the Continental Hockey League. In addition to the main team, the club includes the Almaz Junior Hockey Club (Junior Hockey League), Metallurg Junior Hockey Club (National Junior Hockey League), and a children’s school, whose many trainees participated in major international tournaments as members of the Russian national team.

To address the popular sports accessibility issue in Cherepovets, the Company funded the construction of 21 sports grounds in the city in 2022. In the reporting year, the construction of two hockey fields, ten children’s sports grounds, and nine walkout complexes was accomplished.

One of the most crucial pillars of Severstal’s overall corporate culture and corporate social responsibility is corporate sports. Its development contributes to enhancing the communication, leadership, teamwork, and other important skills that are necessary for the Company’s employees. In 2018, Severstal launched the No Limits sports movement that covers conducting the sports challenges, Spartakiads and races among the employees, who may then freely share their performance via mobile application and social media. Under No Limits project, Severstal interacts with local authorities in the regions of its presence and organises sports events and races. In 2022, Severstal supported the Race of Heroes competitions held in various regions of Russia. No Limits team members performed at competition venues in the Moscow region, Tula, St. Petersburg, Kazan, and other Russian cities.

2023 and Mid-Term Targets

Severstal sets the following targets:

- implementation of the Sustainability Strategy;
- improving the Cherepovets urban environment quality by implementing the first stage of the Contributing to Improving the Quality of Cherepovets Urban Environment project (reconstruction of Sovetsky Avenue and the Serpentine Park);
- enhancing the efficiency of the key social and charitable programmes.



Occupational Health and Safety

2022 Highlights

85%

of the Company's enterprises are covered by ISO 45001 certification

45,270

employees completed OHS training

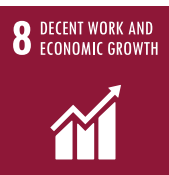
RUB 3.8 billion

allocated to OHS activities in 2022

Material Topic

- Occupational health and safety

UN Sustainable Development Goals



Goals of Severstal's Sustainability Strategy

Short-term goals	Medium-term goal
<p>Reduce LTIFR among own employees and contractors down to</p> <p>0.48</p> <p>by 2025</p>	<p>Reduce LTIFR among own employees and contractors down to</p> <p>0.45</p> <p>by 2030</p>
<p> fatalities by 2025</p> <p>Certify by 2025</p> <p>100%</p> <p>facilities under ISO 45001 compared to 2017</p>	

Approach to Occupational Safety Management

Ensuring safe and favourable working conditions for employees and contractors is one of the priority areas of Severstal's activities. The Company consistently implements global best practices and develops proactive measures to avoid accidents. Severstal pays particular attention to involving its employees and contractors in OHS training.

The Company makes every effort to attain its strategic goals, including the complete elimination of fatalities, well-balanced improvement of safety metrics, and creation of the best professional risk management system in Russia.

In 2022, Severstal updated its Occupational Health and Safety Strategy. The incident management system was optimised, keeping the record of injuries of own personnel and contractor staff was improved, and the search for root causes of incidents and proper learning of lessons were ensured.

The key elements of the updated strategy are:

- risk management focused on fatal risks;
- contractor safety;
- deviation management;
- development of employee competencies;
- changes to OHS management.

GRI 403-8

The occupational health and safety management system covers all Severstal employees and contractor staff working at Severstal production sites

GRI 403-1

The Company strictly complies with national laws, internal corporate safety rules and procedures, and global industry standards.

Thanks to the integrated occupational health and safety management system (OHSMS), Company business units adopt a single approach to analysing injuries and accidents. In addition, common tools to identify hazards, manage risks, and involve employees in the process of creating and ensuring industrial safety have been developed.

The methodological support of OHSMS at the Board of Directors level is rendered as part of proceedings of the Safety and Sustainability Committee. The operational level is represented by the divisions/enterprises, business units and workshops onto which the responsibility for achieving high-level goals and objectives is passed on by the top-down approach.

Occupational health management structure at Severstal

<p>Safety and Sustainability Committee At the Board of Directors level</p>	<ul style="list-style-type: none"> ▪ Strategic OHS planning ▪ Ensuring an appropriate risk management system related to occupational health, safety and accident-free operation of equipment ▪ Reviewing major industrial incidents and recommendations on developing a corrective measures plan and/or sanctions applicable
<p>Occupational safety committees At the level of division/enterprise, business unit, workshop</p>	<p>Ensuring effective occupational health and safety management through:</p> <ul style="list-style-type: none"> ▪ allocating resources; ▪ setting goals and objectives to business units and managers; ▪ making decisions and developing measures aimed at promoting a safety culture, preventing occupational injuries, accidents and fatalities, and reducing occupational disease risks

Severstal continuously improves its OHSMS by optimising organisational approaches to management and by developing new local procedures. The Company elaborates and regularly updates its corporate standards and methodological recommendations detailing the procedures for conducting audits and trainings, calculating safety metrics, engaging with contractors, etc.

OHMS elements

<p>Leadership and governance</p>	<ul style="list-style-type: none"> ▪ Top-down approach within management committees ▪ Safety KPIs ▪ Authority and responsibility
<p>Fatal risk management</p>	<ul style="list-style-type: none"> ▪ Safety barrier management ▪ Assessment of routine operations risks ▪ Risk assessment and management when performing hazardous operations ▪ Integration of the Basic Life Saving Rules
<p>Contractor safety management</p>	<ul style="list-style-type: none"> ▪ OHS pre-qualification ▪ Adaptation and development of contractor OHMS ▪ Monitoring the operations
<p>Deviation management</p>	<ul style="list-style-type: none"> ▪ Search for root causes of incidents, control over their elimination ▪ Production-focused control
<p>Development of competencies</p>	<ul style="list-style-type: none"> ▪ Corporate training system: See in a New Way (for senior executives and line managers), and See and Act (for workers)

Severstal's principal OHS governing document is the [Occupational Health and Safety Policy](#) that sets forth the Company's OHS goals, principles and approach. In 2022, certain amendments were introduced to the Policy. Now, in addition to the obligations assumed by the Company management to achieve the primary goal of reducing injuries and bringing fatalities to zero, Severstal employees bear the same obligations as those listed below:

- Be committed to safety principles and bear responsibility for the lives and health of both themselves and their colleagues.
- Lead in safety and take a proactive approach to developing a safety culture.

- Identify hazards and notify the management of risks, industrial incidents, and initiatives to improve workplace safety.
- Speak up concerns regarding potentially hazardous operations and discontinue operations, if they threaten the lives and health of employees and contractors.

In addition, contractor safety is declared in the Policy as the Company's paramount priority along with the safety of its own employees, and the mastering of employee and contractor safety skills has become one of Severstal's commitments.

Key OHS internal documents Severstal is guided by

- [Occupational Health and Safety Policy](#) (updated in 2022)
- [Occupational Health and Safety Strategy](#)
- [Corporate Social Responsibility Policy](#)

During the reporting period, the following internal OHS regulations have also been drafted/approved:

- Basic Life Saving Rules standard;
- Safety barrier management standard;
- Transparency Assessment of Third-Tier Production Control (Industrial Safety) regulation;
- Manual of assessment modules to conduct audits by occupational safety areas;
- Training programme for contractor staff;
- Procedure for conducting audits of contractors;
- Industrial safety matrices for contractor operations;
- Procedure for industrial safety operations with small-sized contractors;
- Risk assessment methodology for hazardous operations;
- Methodological recommendations on determining potentially fatal risks in industrial safety inconsistencies identified.

Beyond that, in 2022, the corporate OHS requirements for contractors and their rating calculation methodology were updated.

Severstal regularly reviews its OHSMS performance. The Company follows a comprehensive approach to assessing performance of OHS managers, which includes both reactive (lagging) and proactive

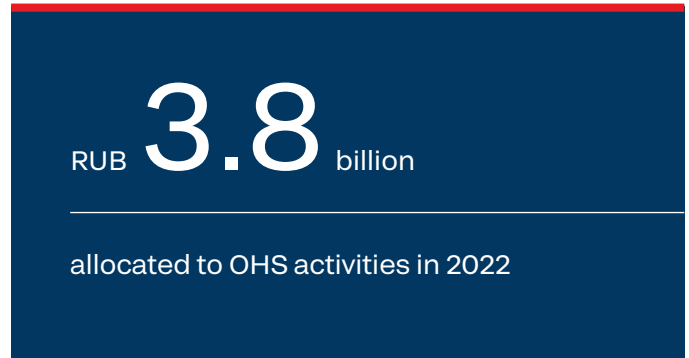
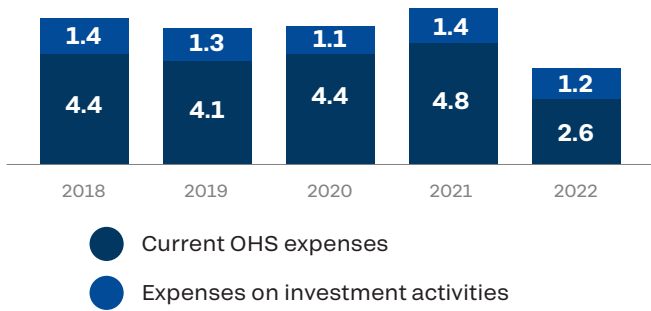
(leading) indicators aimed at preventing injuries. A set of indicators is based on the findings of occupational safety audits and production control that form an integral part of OHSMS across the enterprises. The results of comprehensive inspections and individual performance factor into a year-end bonus payable to the management.

OHSMS elements

In 2022, Severstal continued certifying its production sites for compliance with the international ISO 45001 standard. This approach allows increasing the transparency of the Company's activities and its aspiration for constant OHSMS improvement. To certify all Severstal enterprises in accordance with ISO 45001 by 2025 is the Company's strategic goal.

During the reporting period, AO Severstal Steel Solutions successfully completed certification. Therefore, a share of the Company's certified enterprises increased up to 85% by year-end 2022. In the coming year, Severstal expects to perform certification of OOO Severstal Vtorchermet.

OHS expenses, RUB billion¹



Major OHS investment activities are listed below:

- installation/replacement of automated fire suppression systems, dust control, aspiration and ventilation systems (Cherepovets Steel Mill);
- safe operation of lifting devices (Severstal-Metiz);
- integration of systems to prevent heavy equipment collisions, control of access to equipment and lifting devices (Karelsky Okatysh);
- installation of anchor lines (Olkon);
- acquisition of scalers (Yakovlevskiy Mine).

Safety leadership and culture

GRI 403-3 **GRI 403-4**

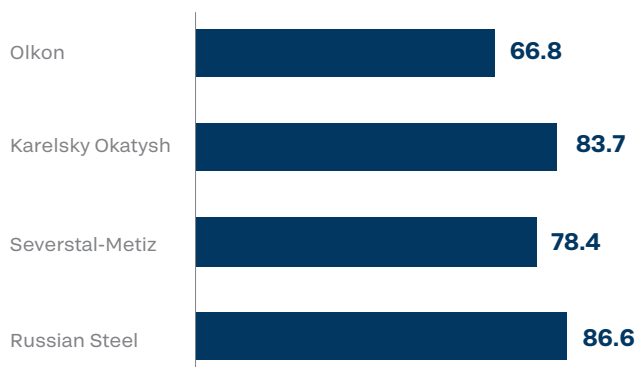
To improve the safety culture at all structural business units, Severstal performs audits of the accident prevention system (APS), its methodology being constantly optimised to enhance impartiality of inspections performed. Audit results are visualised and available to all business units for analysis.

The evaluation of audits is based on the 100-point system that minimises any subjective opinion of auditors. The Company is strongly focused on

preventive measures in respect of safety risks, Risk Management and Lessons Learned sections. Safety targets are allocated with reference to the ranking of workshops and sites by hazard classes.

In 2022, the average OHMS development level based on the APS audits was 78.9 points, with a maximum score of 100.

Average metrics based on APS audits at the Company's core enterprises in 2022, points



Elimination of fatalities

In 2021, the Elimination of Workplace Fatalities project was launched under which Severstal carried out activities aimed to increase the staff and management involvement in identifying fatal risks. Identification of fatal risks was held at 32 thousand locations of the Company and contractor enterprises based on the analysis and mapping of critical technical, procedural, and behavioural barriers.

As a result, monitoring activities were determined with the use of the risk certificates, assessment of the state of critical safety barriers, and the Basic Life Saving Rules.

¹ The current expenses include the costs associated with PPE acquisition, special assessment of working conditions, sanitary and production control, OHS training, morbidity reduction, etc.

The cost cutting is accounted for by the withdrawal of AO Vorkutaugol and AO Neva-Metal from the group, and by the budget reduction in general.

OHS Training

GRI 403-5 EM-MM-320a.1

In accordance with federal laws, Severstal holds mandatory OHS trainings for all of its employees using its own corporate methodologies. Along with that, the Company arranges additional training courses and programmes aimed at raising employee awareness of occupational risks.

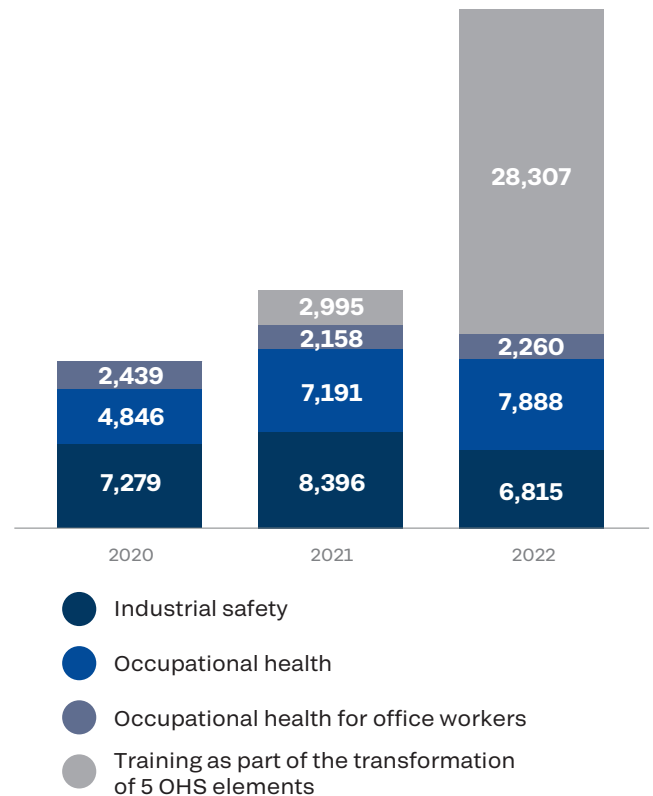
Severstal’s existing training system covers all Company employees and contractor staff. It entails a mandatory induction training for Severstal contractors, visitors and employees. The last-named receive OHS training as well, including the first aid course. Additionally, managers at all levels regularly take OHS and corporate safety standards trainings

Severstal pays considerable attention to the development of its own employee training system. The Company introduces new practical and theoretical courses and optimises the existing ones. This approach to training is common across the Company.

In 2022, the See and Act course continued and was successfully completed by 23,402 employees. They had been studying the behavioural patterns that tended to distract attention from the existing safety barriers.

Furthermore, the See in a New Way leadership development course, previously held only for senior executives, was expanded. During the reporting period, the course was also completed by line managers: 4,905 participants attended the theoretical and practical sessions on training the personnel in workplace safety analysis and production risk identification methods.

Number of employees trained, people



Multifunctional training centre

The multifunctional training centre designed to help employees acquire theoretical and practical occupational safety skills and facilitate acquiring Rostekhnadzor certifications has been in operation at Cherepovets Steel Mill since 2021. In 2022, 1,500 people, including contractor staff, completed their training there.

Raising the personnel involvement in occupational safety issues

GRI 403-4

All Severstal enterprises have an efficient employee feedback monitoring system for OHS issues that covers all employees of the Company, and contractor staff as well.

Information from different sources is stored in a unified register to ensure timely responses to problem notification and take relevant remedial measures. All stakeholders are in a position to review proposals originating from employees, and managers can follow up on their implementation.

Severstal's interaction with its employees envisages not only performing a regular feedback analysis but also encouraging personnel's OHS initiatives. In 2022, the following employee incentives were implemented:

- the Russian Steel division carried out activities for managers and operating personnel, including contractors, as part of the Safety Days; those included a photo collage contest dedicated to the Basic Life Saving Rules;
- employees of the Russian Steel division's Repair Directorate competed with Cherepovets Steel Mill personnel in the Heroes in Helmets game dedicated to the World Day for Safety and Health at Work; the competition was arranged as a board game, with participants answering questions, discussing, and analysing hazardous situations occurring at work;
- monthly voting was held at the Russian Steel division via the corporate social network, to identify best practices for workplace hazards elimination or mitigation; 64 practices were recognised as the best ones, and 38 winners received awards and certificates.

One of the successful practices for trade unions interaction is the concept of occupational safety coordinators. The main purpose of such coordinator is to ensure prompt communication between employees and workshop managers and co-decisions on OHS matters. On-the-job training and certification on OHS agenda are organised for coordinators that, among other things, include the identification of fatal risks and risk assessment checklists.

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occupational safety coordinators constitute one of Severstal's key links in ensuring workplace safety

In 2022, Yakovlevskiy Mine adopted the Regulations on Occupational Safety Coordinator, pursuant to which the coordinator's OHS functions were expanded. Same document is in effect at Severstal-Metiz, Karelsky Okatysh and Olcon.

The format of coordinator's work depends on the division. For example, at the Russian Steel division, coordinators directly interact with workshop and site managers, OHS personnel and production risk managers, monitor the condition of workplaces every shift, and ensure safe operations in the workshop and at the site. Occupational safety coordinators add comments and suggestions on risk elimination measures to a dedicated message log or add these electronically using the software application suite. At year-end 2022, 24 employees of Cherepovets Steel Mill were awarded the Best Occupational Safety Coordinator status.

Managing Hazards and Creating a Safe Environment

GRI 403-2

At all its enterprises, Severstal applies a reliable approach and a number of relevant tools to handle hazards, including such corporate methodologies as Methodology for Risk Assessment of Routine Work, Methodology for Risk Assessment of Hazardous Work, and Safe Environment.

Risk assessment procedure during performance of works

Assessment stage	Activities
Planning identification of OHS risks and hazards	<ul style="list-style-type: none"> ▪ Set up a risk assessment work group ▪ Make a list of standard (routine) operations ▪ Generate an e-schedule (automatically)
Identification of hazards	<ul style="list-style-type: none"> ▪ Analyse current documentation ▪ Perform an on-site visit ▪ Checklists on the risk assessment completed ▪ Perform e-recording of risks and hazards ▪ Generate a register of risks and hazards (automatically)
Analysis and assessment of identified hazards risk	<ul style="list-style-type: none"> ▪ Determine the final risk level by using the Risk Assessment Matrix tool
Risk response	<ul style="list-style-type: none"> ▪ Assess the efficiency of previously implemented measures ▪ Develop additional compensatory and corrective measures ▪ Implement the measures developed
Monitoring and reviewing risk levels	<ul style="list-style-type: none"> ▪ Perform monitoring of the progress of activities ▪ Return to the OHS risk and hazard identification planning stage in the following cases: <ul style="list-style-type: none"> ▪ introduction of new technologies ▪ accidents ▪ other circumstances that may have contributed to the hazards

Since 2020, the Company has been migrating to a risk-oriented approach to occupational health and industrial safety. A production risk manager is responsible for implementation of safety tools and methods, and engaging the workshop staff and contractors in dealing with safety issues.

Each Severstal's hazardous production facility has a safety data sheet. When compiling it, risk metrics are identified, the state of emergency prevention work is assessed, and the relevant preventive measures are developed.

As part of the Preventing Fatalities project, the Company draws up local maps of critical risks (technical, procedural and behavioural) and communicates them to employees. Such approach contributes to injury reduction. Severstal makes every effort to completely eliminate fatalities among its employees and contractors by 2025.

Severstal consistently deploys cutting-edge technologies aimed at preventing breaches of safety requirements and access to hazardous areas, personnel training, and monitoring employee health. As of now, eight computer vision projects have been implemented, and two such projects are at their pilot stage.

Machine vision is a visual data computer processing tool used to ensure security	<ul style="list-style-type: none"> Used at Cherepovets Steel Mill to detect employees in a hazardous area by automatically sending the photo dispatch reports to employees responsible for occupational safety. Used to identify violations of traffic safety rules and escalate them to transport safety specialists. Used at Severstal-Metiz to disable the equipment or interrupt the start of production cycle, if an employee is in a hazardous area
Quadcopters as unmanned remote-controlled aerial vehicles	<ul style="list-style-type: none"> Used at Severstal enterprises to monitor work progress at production facilities and to perform an environmental assessment
VR training	<ul style="list-style-type: none"> Used to teach employees to render premedical first aid, act in case of fire, safely work at height, perform handling operations, etc.

GRI 403-4

Severstal closely interacts with trade unions, mutual commitments with which are set forth in collective bargaining agreements. With the participation of trade unions, enterprises constitute bilateral occupational safety committees (commissions). Trade union committees contribute to drafting occupational safety regulations, performing special assessments of working conditions (SAWC), and investigating accidents at work. The Company performs SAWC as scheduled under applicable laws, as new jobs are created, and in each instance of occupational disease. Should there be any comments and objections regarding the assessment results, trade unions and certain employees are entitled to initiate a repeated SAWC procedure.

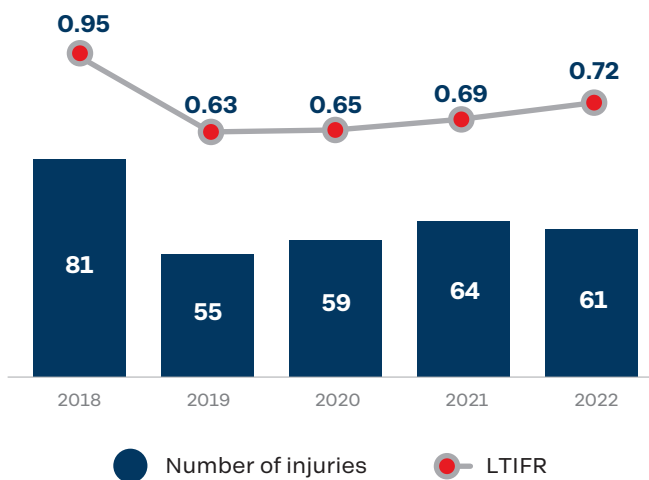
Results of injury prevention initiatives

GRI 403-9 SASB EM-IS-320a.1
SASB EM-MM-320a.1

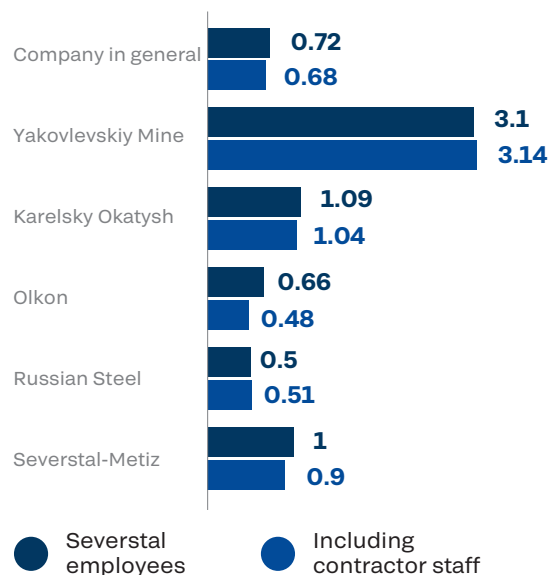
The key metric in assessing OHSMS performance is a ten-year trend in the reduction of workplace injuries.

Since 2013, the number of injuries has halved. LTIFR¹ fell from 1.38 down to 0.68

Lost time injury frequency rate by the Company's own employees (LTIFR²)



LTIFR by employees of the key enterprises and of the contractors in 2022

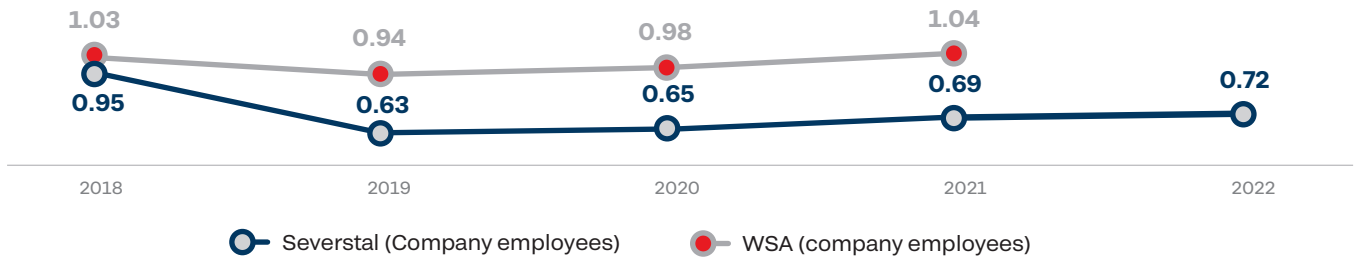


¹ The injury frequency was calculated per one million hours of work time.

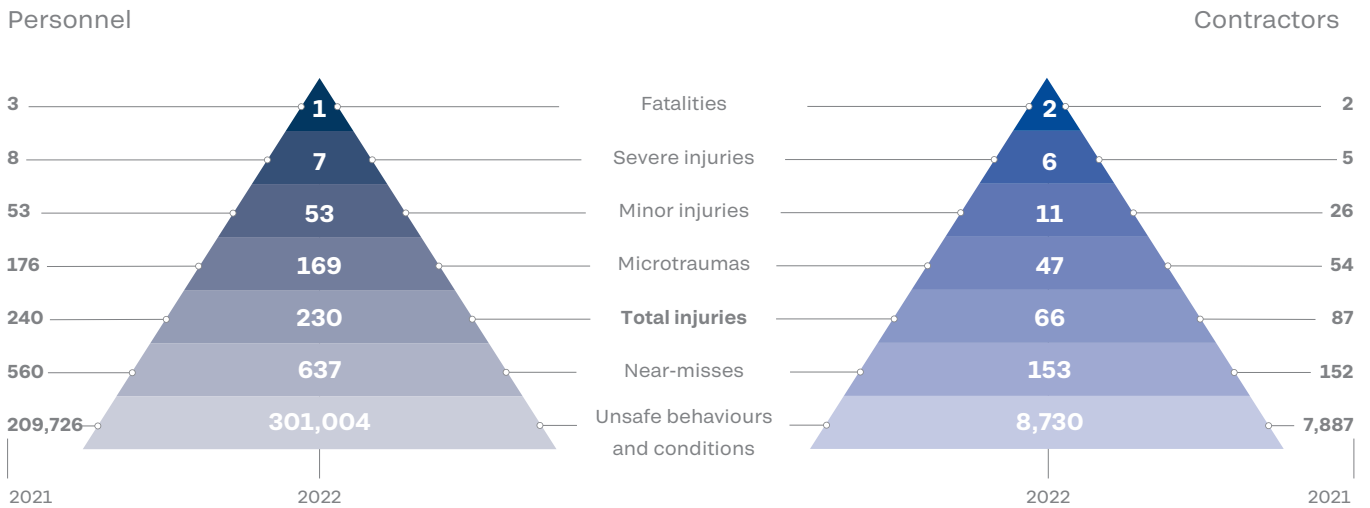
² Calculations prior to 2022 cover AO Vorkutaugol.

For the Company as a whole, the occupational injury frequency rate (including contractors) decreased from 0.72 to 0.68. For own employees, it increased from 0.69 to 0.72 compared to 2021. The share of fatal injuries among the Company's employees and contractors decreased from 1.5% to 1% compared to 2021, while the share of severe injuries¹ increased from 4% to 4.4%.

Severstal LTIFR vs the World Steel Association average²



Number of injuries



In 2022, three fatalities were recorded: one with a Severstal employee, and two others with contractor employees. For each recorded case, the Company conducted a separate internal investigation and took elimination measures to avoid fatalities in the future. Following the investigations, Severstal changed its approach to the admission of high-risk contractor employees, introduced an electronic safety permit system, and carried out a number of other organisational and technical activities.

Occupational Morbidity

GRI 403-10

Severstal ensures safe and comfortable working conditions, develops corporate healthcare and encourages its employees to lead a healthy lifestyle. Severstal pays special attention to the prevention of occupational diseases and strives for their stepwise reduction. The Company organises health resort treatment for its personnel, conducts medical check-ups, and carries out equipment replacement and upgrade.

In 2022, the implementation of measures to improve the working conditions resulted in a reduction in the number of occupational diseases at Russian Steel. Not a single occupational disease was recorded at Severstal-Metiz. A significant reduction in the number of occupational diseases is triggered by Vorkutaugol's withdrawal from the Group.

¹ Fatal, serious, minor and micro injuries are taken into account to calculate the proportion.

² As at the time of preparation of the present Report, the 2022 World Steel Association data was not published.

In the reporting year, the costs associated with preventive and recreation activities at Severstal increased by 6.8% year-on-year.

In 2023, Severstal will take part in a pilot project of the Ministry of Labour and Social Protection of the Russian Federation to prevent occupational diseases and monitor the health of employees involved in certain types of economic activity.

Number of cases of occupational diseases

	2018	2019	2020	2021	2022
Russian Steel¹	15	15	8	14	7
Severstal-Metiz	0	0	0	0	0
Vorkutaugol²	100	60	108	96	-
Karelsky Okatysh	13	10	18	14	25
Olcon	1	3	3	16	16
Yakovlevskiy Mine	0 ³	0	1	0	1
Company in general	129	88	138	140	49

Costs associated with preventive and recreation activities, RUB million

	2018	2019	2020	2021	2022
Russian Steel	191	211	69	317	309
Severstal-Metiz	16	20	20	21	26
Vorkutaugol⁴	117	76	73	73	-
Karelsky Okatysh	37	37	27	36	63
Olcon	28	25	18	19,5	21
Yakovlevskiy Mine⁵	-	-	-	1,5	3

Contractors' Performance Control

GRI 403-7 GRI 414-1

Severstal's safety requirements apply to all on-site contractor employees who are obliged to comply with these. These requirements and liability for non-observance are set out in production safety assurance agreements.

The number of injuries among contractor staff significantly reduced in 2022 due to an in-depth assessment of contractors by the Company and their reliability rating, use of the Behavioural Safety Audit tool, and participation in corporate events. OHS performance of contractors is monitored on a monthly basis by means of ratings.

During the reporting period, the contractor selection procedure was improved: in addition to general contractors, all subcontractors were to go through the said procedure prior to their admission to commence works within the Severstal sites.

¹ Previously, up to the year 2020, information included only Cherepovets Steel Mill.

² Out of Severstal since 2022.

³ 2018 data for Yakovlevskiy Mine was restated.

⁴ Out of Severstal since 2022.

⁵ Joined the Company in 2018.

In 2022, to improve the interaction with contractors, the requirements for the Contractor Personal Account were developed, and the project scheduled for completion in 2023 was launched.

Throughout the entire period of engagement, contractor hazards and risks are being identified and managed. Contractors are to comply with the requirements of the accident prevention system as part of the general OHSMS requirements. Safe work permits in the current production environment are issued after all measures to eliminate or mitigate risks as part of the Company's risk assessment procedure have been taken. Information on the safety risks identified (based on monthly assessments and audits of the OHS system development) is promptly communicated to contractors.

Emergency Preparedness

Severstal complies with the provisions of the emergency prevention legislation of the Russian Federation and takes a set of measures to avoid accidents at production facilities. The Company has emergency action plans and recovery measures in place.

Severstal carries out training and practical activities to prepare for, and respond to, natural and man-made emergencies and ensures the necessary level of resources to deal with these.

2023 and Mid-Term Targets

Severstal expects to further improve OHSMS to minimise accidents and completely eliminate fatalities, namely:

- reduce potential fatalities by 30% against the 2022 baseline;
- shut out the recurrence of the 2022 incidents with similar circumstances and root causes;

The pre-qualification procedure for potential contractors is based on the preliminary assessment of requirements to the OHS system quality at the bidding stage with reference to statistical information. A system of colour zones (red, yellow and green) is used for potential contractors depending on certain criteria. To get into the green zone and receive recommendations for gaining a contract, the following is required depending on the risks of operations to be performed: zero fatalities, stable injury reduction dynamics, and compliance with OHSMS requirements.

Above that, the Company has entered into contracts with professional emergency response teams and set up incident response teams, that is voluntary gas rescue teams and auxiliary mining rescue teams.

- achieve the target development level of employee key OHS competencies;
- improve occupational safety by introducing digital products (information systems, machine vision).



Environmental Impact

Climate Change and Energy Efficiency

2022 Highlights

27.08 mln tonnes
of C₂e - gross Scope 1 and 2 GHG emissions

12.47 mln tonnes
of C₂e - gross Scope 3 GHG emissions

2.210 tonnes
of CO₂ per tonne of steel - carbon intensity

UN Global Compact Principles

Principle 7. Businesses should support a precautionary approach to environmental challenges.

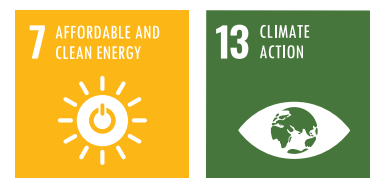
Principle 8. Business should undertake initiatives to promote greater environmental responsibility.

Principle 9. Business should encourage the development and diffusion of environmentally friendly technologies.

Material Topic

- Climate change and energy efficiency

UN Sustainable Development Goals



Goals of Severstal's Decarbonization Strategy¹

Short-term goal ²	Medium-term goal	Long-term goal
Reduce greenhouse gas emissions intensity in 2024	Reduce greenhouse gas emissions intensity in 2030	Reduce greenhouse gas emissions intensity in 2050-2060
by 3% against the 2020 baseline	by 10% against the 2020 baseline	by 40-60% against the 2020 baseline

Approach to Climate Change Management

GRI 3-3 **EM-MM-110a.2** **EM-IS-110a.2**

Severstal is extensively involved in the climate agenda and strives to reduce its impacts on climate change. The Company shares the goals of the Paris Agreement and takes measures to improve resilience to climate change consequences.

As an integral part of the corporate strategy, the climate agenda is taken into consideration by Severstal's Board of Directors and management in strategic decision-making and operations management. Climate risk and opportunity management based on TCFD³ recommendations is integrated into the Company's risk management system.

Internal regulatory documents that stipulate the core principles and requirements to managing the climate change issues

- [Severstal's Position on Climate Change](#)
- ["Achieving a Low Carbon Future Together" Climate Memorandum](#)
- Corporate GHG Emissions Management Standard
- Corporate Climate Risk Management Standard (elaborated in 2022)

External documents relied upon by Severstal

- Recommendations of the Task Force on Climate-Related Financial Disclosures
- GHG Protocol Corporate Accounting and Reporting Standard
- World Steel Association CO₂ Emissions Data Collection User Guide

In 2022, Severstal was developing its Decarbonization Strategy to 2030 that covers a wide range of issues on the climate agenda: the Company's top management position on greenhouse gas emissions reduction, targets and measures to achieve them, the concept of green products, green financing tools, etc. The document was approved by the Board of Directors in February 1, 2023 and the disclosure of its public version is scheduled for 2023.

¹ Severstal's Decarbonization Strategy is part of the approved Sustainable Development Strategy.

² Due to insufficient production capacity utilization and partial unavailability of imported eco-efficient equipment and technologies, the Company was forced to postpone the deadline for achieving the goal of a 3% reduction in greenhouse gas emissions intensity to 2024.

³ Task Force on Climate-Related Financial Disclosures.

Severstal's "Achieving a Low Carbon Future Together" Climate Memorandum

The regular meetings of the parties to Severstal's Climate Memorandum that took place in 2022 vastly contributed to working out the following priority areas of cooperation:

- reducing greenhouse gas emissions in supply chains;
- assessing carbon footprint of products and launching green products; and
- implementing joint energy efficiency and renewable energy projects.

Under the Climate Memorandum, the Company continues exchanging the corporate GHG management practices and carrying out the joint work on climate-related issues.

Participation in discussions on to climate-related issues

Severstal has a proactive attitude towards building climate governance at national and international levels and sharing best available decarbonisation practices industry-wide. Despite the fact that in 2022 Severstal's contribution to the global climate agenda was limited for reasons beyond its control, the Company carried on with its interaction with government bodies, associations and other organisations on addressing the climate change issues.

In 2022, Severstal discussed the issues of carbon governance development in Russia, implementation of climate projects, support for green products to reduce GHG emissions and adapt to climate change, and climate education and awareness through membership in and contribution to:

- Russian Steel Association;
- Russian Union of Industrialists and Entrepreneurs (RSPP);
- Expert Council on Sustainable Development under the Ministry of Economic Development of the Russian Federation;
- meetings of the Climate Club with the participation of Adviser to the President of the Russian Federation, Special Presidential Representative on Climate Issues Ruslan Edelgeriyev;
- Working group of the Ministry of Energy of the Russian Federation on improving the environmental policy in the areas of electricity and heat supply and their adaptation to climate change;
- Interdepartmental working group on climate change and sustainable development under the Presidential Executive Office of Russia;
- technical working groups under the BAT Bureau.

Cooperation with Department of Natural Resources and Environmental Protection of the City of Moscow

Severstal and Department of Natural Resources and Environmental Protection of the city of Moscow signed a Memorandum of Cooperation within the framework of the annual "Climate Dialogues" forum. The partners agreed on taking joint efforts towards the development and mutual support of their projects and programmes facilitating the achievement of the sustainable development goals, awareness-raising and involvement of the society in climate change issues based on the [Climate Platform](#).

The Climate Platform is a leading platform for shaping Russia's climate agenda and discussing best available global practices. Its central task is to highlight the green transition aimed at creating a new type of economic system that is based on sustainable production and responsible consumption with mindful approach to public health and better living standards.

At “Forum.Digital Ecology 2022”, Severstal presented its digital climate and GHG emissions management solutions, and likewise shared its experience in integrating the ferrous metallurgy decarbonisation advancements at ESG Alliance’s online session dedicated to innovations advancement in the sustainable business development.

In the context of international cooperation and membership, in the reporting year Severstal continued to work as a member of the SBTi Expert Advisory Group (Science Based Targets initiative) for developing of science-based targets for the steel industry. Severstal is the only Russian company to have joined this expert advisory group.

Participation to the United Nations Framework Convention on Climate Change (COP27)

In 2022, Severstal took part in a special event of the Global Compact Local Network at the United Nations Climate Change Conference (COP27). The Company presented its “Adjusting the Climate Agenda of International and Russian Business in the New Environment 2022” report at “Green Business. Role of Private Sector in Restoring Dialogue to Advance the Climate Agenda” roundtable.

During the conference, Severstal reaffirmed its commitment to mutually beneficial cooperation to reduce GHG emissions and adapt to climate change, along with its responsibility for addressing the climate challenges, and appealed to other companies to join the climate movement.

Beyond that, Severstal took part in a number of COP27 follow-up events to share the Conference takeaways and the information on the steel sector’s preparedness for radical decarbonisation, namely:

- “World Climate Day. COP27 Outcomes” held by the Green Initiative platform of the Association of European Businesses;
- “In the wake of COP27: Insights and Prospects for Russia”, an online discussion held by the Climate Governance Initiative Russia (CGI Russia).

Climate change disclosures and participation in the ratings

The Company provides for the transparency of its climate change activities. Severstal continuously strives to make sure that its public reporting on GHG emissions and climate risk management aspects are in line with international standards and best practices. In 2022, the Company published its [Climate Report](#) compiled in conformity with the TCFD recommendations. The updated 2022 Climate Report is available on the Company’s website.

Participation in the environmental ratings

Severstal entered the top ten of RAEX “Top 50 Climate” rating. In total, the assessment was made of 50 Russian non-financial companies that are most concerned about their impact on the climate. This rating is based on the policies, reporting and performance indicators of companies in the areas of “Greenhouse Gas Emissions” and “Adaptation to Climate Change”.

Over the reporting year, Severstal took part in the first environmental and climate performance rating developed by Yu. A. Izrael Institute of Global Climate and Ecology. Severstal was granted a B+ grade - best 2022 score among all Russian companies on the rating list.

Severstal carried on with its climate disclosure practice under the CDP rating, despite the suspended assessment of Russian companies. In 2021, the Company was assigned B (Management) and A- (Leadership) grades in the CDP Climate Change rating for its supplier engagement. Severstal is the CDP rating leader among Russian ferrous metals companies.

Corporate Management of Climate-Related Issues

Severstal's organisational climate change management structure, including risks and opportunities, envisages involvement of functions of various levels in achieving the strategic climate-related goals and objectives.

Allocation of responsibilities in addressing the climate challenges

The Board of Directors	<ul style="list-style-type: none"> ▪ Supervises the determination and achievement of strategic climate change goals. ▪ Examines climate-related issues, including risks and opportunities, on a quarterly basis. ▪ Monitors performance of the corporate climate risk management system, reviews a goal achievement report
The Safety and Sustainability Committee	<ul style="list-style-type: none"> ▪ Reviews GHG emissions reporting on a quarterly basis. ▪ Exercises control over the implementation of measures to manage risks and opportunities arising from climate change. ▪ Provides for the interaction between the Board of Directors and top management on climate change issues. ▪ Supervises the implementation of the Decarbonization Strategy and Company management's plans. ▪ Bears responsibility for the Company's public reporting, including on the climate agenda
The Audit Committee	<ul style="list-style-type: none"> ▪ Exercises control over the performance of the corporate climate risk management system. ▪ Supervises public reporting
Top management	<ul style="list-style-type: none"> ▪ Implements the Board's decisions, exercises control over the fulfilment of the Company's climate change obligations. ▪ Carries out the ongoing operational management of climate risks. ▪ On a yearly basis, reviews the Company's report on significant climate change risks and opportunities for the preceding year
Climate Risk Working Group	<ul style="list-style-type: none"> ▪ Consolidates information on climate risks and opportunities across all the assets. ▪ Maintains a corporate register of the Company's climate risks
GHG Emissions Reduction Centre, Environmental Protection Department	<ul style="list-style-type: none"> ▪ Develops and integrates corporate GHG management standards. ▪ Coordinates climate risk identification and assessment activities. ▪ Arranges employee training on climate-related issues. ▪ Determines key performance indicators (KPIs) for reducing GHG emissions. ▪ Compiles climate adaptation action plans. ▪ Supports the emission monitoring system and contributes to its enhancement. ▪ Ensures compliance with the TCFD and GHG Protocol standards
Risk Management and Internal Control Department	<ul style="list-style-type: none"> ▪ Integrates climate risks into the corporate risk management system
Management teams of the enterprises and divisions	<ul style="list-style-type: none"> ▪ Perform the procedures of identifying, assessing and managing the climate risks and opportunities at the level of certain assets. ▪ Implement decisions of the Company's supreme management bodies on the achievement of climate change commitments and targets

Raising employee motivation for achieving the climate targets

For senior management and employees involved in the climate-related issues at the operational level, the Company introduced the key performance indicators motivating them to address the climate change challenges. Successful performance affects the amount of employee remuneration amounting to at least 10% of annual remuneration.

Top management climate change KPIs cover the metrics on GHG emissions reduction, carbon intensity, and energy efficiency. For 11 Severstal's top managers, the weight of achieving the climate-related KPIs is set at 5% in the overall assessment.

Training on climate issues

Severstal carries out climate change training for its employees, engages external specialists, and launches own programmes with the direct participation of the GHG Emissions Reduction Centre. The Company devised a climate competency matrix for its staff and set up training programmes for each level of proficiency. Training is provided in the normal course of business as part of the annual in-house proficiency enhancement.

Development of the ProClimate training programme

In 2022, Severstal launched its "ProClimate" corporate advanced employee training programme consisting of two courses:

- "Severstal's Climate Strategy" – building personnel climate competency to achieve the target climate change KPIs;
- "Managing GHG Emissions" – advanced knowledge in managing greenhouse gas emissions and complying with statutory requirements.

During the reporting year, the training was completed by over 500 Severstal's employees. Development of ProClimate's third course dedicated to climate risk management is scheduled for 2023.

Beyond that, pursuant to Severstal's cooperation with educational institutions and to support climate education, the Company's Environment Protection Department conducted a number of training courses and workshops on climate change management for students of the Higher School of Economics and the Moscow State Institute of International Relations, as well as for Cherepovets schoolchildren in 2022.

Climate Risks and Opportunities

GRI 201-2

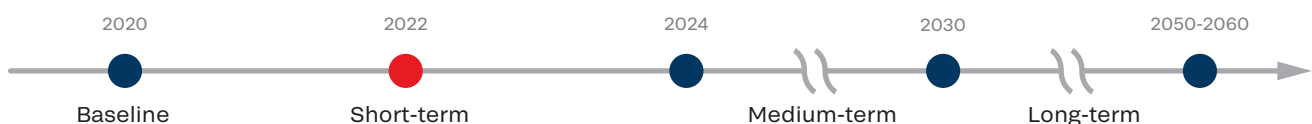
Severstal recognises climate risks as material for the Company and takes every effort to enhance the efficiency of managing them. All managers and employees across the Company are involved in the risk management process.

Climate Risk Management Standard

To incorporate the climate risk response tools in the corporate governance system, Severstal developed the Climate Risk Management Standard in accordance with TCFD recommendations in 2022. The document aims to identify, assess, and manage climate risks in a timely manner to attain the Company's strategic goals and key performance indicators related to climate change.

Within the climate risk management process, the Company determined its three planning horizons:

- short-term (by 2024);
- mid-term (by 2030);
- long-term (by 2050-2060).



To identify climate change risk factors, the Company performed a scenario analysis using Shared Socioeconomic Pathways (SSPs) as the boundary conditions. The following climate scenarios were selected for climate risk simulation:

- SSP126 (+1.8°C by 2100): consistent with the goals of the Paris Agreement;
- SSP245 (+2.8°C by 2100): mid-term scenario;
- SSP585 (+4.4°C by 2100): worst-case climate change scenario.

In line with the climate risk assessment carried out in 2021, the Company monitors the identified risks for all the planning horizons¹. Priority efforts are focused on the risks of the utmost significance and high probability of causing potential financial damage to the Company, if occurred. A detailed assessment of climate risks and opportunities, carried out in accordance with TCFD recommendations, can be found in the updated [Climate Report](#).

Relevant physical and transitional risks

Severstal's enterprises are located in the regions that are already now exposed to physical climate risks: 50% of all enterprises to date, and up to 75% in the event of further climate change. Severstal assesses physical climate risks as moderate, and its current activities to adapt to adverse climate events – as sufficient to prevent material adverse effects for the Company: infrastructure, buildings, equipment, and technological processes are resilient to climate change.

The key physical risk factors for Severstal's facilities include the following: storms and strong

winds, continuous heavy rains, strong rime ice depositions, rise in average annual temperatures and precipitation. Manifestation of risks depends on geographical location of the facilities.

Severstal supports the implementation of regional climate change adaptation plans in the regions of its presence. In 2022, the Company carried out activities under the climate change adaptation plan for the Vologda region in terms of a climate risk assessment for Severstal's enterprises in the Vologda region.

Physical risks are estimated to become the most material for the Company primarily under the SSP585 scenario, while transitional risks are of high/medium significance under the SSP126 scenario.

The Company's relevant transitional risks include:

- introduction and further reinforcement of carbon governance in the Russian Federation;
- introduction of charges towards exported carbon-intensive products;
- a need to implement low-carbon technologies;
- negative perception of the Company by investors if it fails to meet their expectations for climate risk management and GHG emissions reduction;
- loss of markets for carbon-intensive products.

Since 2021, Severstal has been applying its internal carbon price introduced to assess a long-term sustainability of new projects in terms of climate change perspective and potential costs associated with greenhouse gas emissions. In 2022, the internal carbon price was updated for a ten-year period due to the changed markets for the Company's products and new trends in the national GHG emissions governance.

Implementation of climate change opportunities

In addition to climate risk identification and assessment, Severstal analyses the opportunities opening up before the Company due to climate change and low-carbon transformation:

- creation of new markets for green products and increase in earnings from selling them;
- equipment upgrade and deployment of advanced decarbonisation technologies;
- commercialisation of breakthrough low-carbon technologies and their potential scaling;
- savings from implementing the energy efficiency, resource saving, and performance improvement initiatives;
- increase in investment appeal through efficient management of GHG emissions and climate risks;
- access to green finance tools (e. g. green bonds, tying in the credit line to climate-oriented KPIs);
- use of national support measures in implementing decarbonisation projects.

¹ Assessment was based on TCFD recommendations. Severstal identified and performed a qualitative and quantitative assessment of the most relevant transitional (regulatory, technological, market, and reputational) and physical (acute and chronic) climate risks.

In 2022, Severstal worked out its green products strategy, determining these products' categories.

Severstal's green products by category

Category and description	Products
<p>Products for climate change adaptation Products for erecting structures to prevent occurrence and impacts of climatic and natural hazards (floods, droughts, etc.)</p>	<ul style="list-style-type: none"> ▪ Sheet pile structures for coastal and soil reinforcement ▪ Mesh structures for flood prevention ▪ Rolled steel for construction in climatically sensitive areas ▪ Dust and wind screens
<p>Products for carbon-free and low-carbon energy Products for the construction of renewable and low-carbon energy facilities, for storage and transport of carbon dioxide (CO₂) and hydrogen (H₂)</p>	<ul style="list-style-type: none"> ▪ Rolled steel and pipes for CO₂ and H₂ storage and transportation ▪ Rolled steel for nuclear power plants and liquefied natural gas (LNG) plants¹ ▪ Wind turbine towers ▪ Solar panel support tables
<p>Low carbon products In manufacturing these products, CO₂ emissions are significantly below the standard level. Severstal intends to consider customer carbon intensity requirements, and supplies the products with the accompanying documentation that confirms, through an independent party, the achieved level of carbon footprint</p>	<p>- 25% less carbon products GHG emissions are 25% lower than Severstal's standard level; the value is in line with the steelmaking BATs</p>
	<p>- 50% low carbon products GHG emissions are 50% lower than Severstal's standard level; the value exceeds the equivalents of most conventional steelmaking technologies</p>
	<p>- 75% ultra low carbon products GHG emissions are 75% lower than Severstal's standard level; the value corresponds to the minimum achievable level of steelmaking emissions</p>
	<p>- 100% climate-neutral products GHG emissions that cannot be reduced and are compensated by acquiring high-quality carbon units from climate projects</p>
<p>Products with improved performance Products that reduce materials intensity and greenhouse gas emissions throughout their life cycle</p>	<ul style="list-style-type: none"> ▪ High-strength bars and rolled steel ▪ Weather resistant steel ▪ Flat products and large diameter pipes for oil and gas pipelines with high cold stability ▪ High-strength galvanised steel / steel with a high zinc coating grade ▪ Coated steel for roofing, drainage, and façade solutions ▪ Steel with antibacterial properties ▪ Zinc coated steel with trivalent chrome passivation
<p>Environmental products Intended to protect the environment from pollution</p>	<ul style="list-style-type: none"> ▪ Dust and wind screens

¹ Severstal is the first Russian company to have mastered and patented the cryogenic steelmaking technology for LNG projects previously supplied from abroad.

Severstal's green products were included in the [Review of Russian Low Carbon Development and Climate Change Adaptation Practices¹](#) drafted by the Ministry of Economic Development of the Russian Federation. In addition, the climate change adaptation solutions were presented at COP27 Climate Conference.

For more details regarding the assessment and management of climate risks and opportunities, see the Climate Report and [the Climate Change and Energy Efficiency section in the Sustainability Report 2021 \(pages 137-140\)](#).

Activities to Reduce Greenhouse Gas Emissions

GRI 305-5

Severstal strives to achieve its greenhouse gas (GHG) emissions reduction targets by:

- increasing a share of low-carbon and renewable energy in the energy mix and utilisation of secondary energy resources;
- upgrade and efficient use of process equipment;
- steelmaking technology enhancement;
- waste recycling and reuse of recyclables;
- improving the quality of raw materials and fuels in use.

Key GHG emissions reduction projects in 2022-2024

Project	Description	Reduced emissions
Projects accomplished in 2022		
Replacing heating furnaces in the rolling mill	Two heating furnaces Nos. 1 and 2 were substituted with new furnaces without an evaporative cooling system at rolling mill 2,000 of higher energy efficiency, precision of heating and lower metal consumption. This enabled reducing specific consumption of natural gas and increasing the mill 2,000 output	180 thousand tonnes of C ₂ e /year
Reduction of solid fuel consumption in blast furnaces	Implementation of innovative solutions in blast furnaces made it possible to partially substitute coke with natural gas and increase the use of hydrogen for iron reduction. To implement the project, changes were made along the entire process chain from raw material extraction	130 thousand tonnes of C ₂ e /year
Retrofitting the solid fuel preparation unit	The crushing equipment was replaced with four-roller crushers and an air classifier that removes a dust fraction from coke breeze. This enabled reducing fuel consumption for sintering and ensured the optimal quality of solid fuel preparation for sintering	100 thousand tonnes of C ₂ e /year
Key projects for 2023-2024		
Construction of boiler plant with boiler unit N° 11	The new boiler unit will enable the use of secondary resources from coke oven gas and blast furnace gas to increase electricity generation by 181,390 MWh/year. The project will result in reduced consumption of natural gas and utilisation of blast furnace gas and coke oven gas candles	250 thousand tonnes of C ₂ e /year
Blast furnace expert system	A digital twin of the blast domain process is expected to be developed. Through optimising the technological process, the resulting economic potential allows saving on solid fuel (reduction of its consumption by 1.5 kg/t of cast iron) and increasing the blast furnace output	50 thousand tonnes of C ₂ e /year

¹ This document is only available in Russian.

In 2022, twenty investment projects with an anticipated annual GHG reduction effect of over 360 thousand tonnes of CO₂e/year were authorised for implementation. Project investments will amount to RUB 14.18 billion

Severstal is focused on integrating new decarbonisation and energy transition technologies. The Company carries on with its work on CO₂ capture, utilisation and storage (CCUS), hydrogen production and innovative composite parts and products technologies. Specifically, applying the hydrogen technologies requires an innovative approach that will make it possible to lower hydrogen production costs and increase profitability.

Over the reporting period, Severstal's activities were aimed at advancing a new innovative area of decarbonisation related to nature-based solutions and the use of biofuel. The Company is working out

the possibility of implementing a climate project for restoring the disturbed peatlands in Vologda Region to reduce GHG emissions and recover the area's adaptation potential:

- mitigating flood risks;
- preventing the spread of forest fires;
- maintaining biodiversity;
- generating additional income for the locals.

In parallel, Severstal is considering the possibility of using biomass for energy and technology purposes at Severstal's enterprises.

Greenhouse Gas Emissions

EM-MM-110a.1

A quantitative assessment of Severstal's Scope 1, 2 and 3 emissions covers all greenhouse gases governed by the Kyoto Protocol¹ and is performed pursuant to:

- GHG Protocol Corporate Accounting and Reporting Standard²;
- GHG Protocol Scope 2 Guidance³;
- GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard⁴.

Major GHG emitters at Severstal are Cherepovets Steel Mill, Vorkutaugol and Karelsky Okatysh. The reduction of Vorkutaugol's share is connected with its withdrawal from Severstal in Q1 2022.

In late April, Severstal completed the sale of its coal asset Vorkutaugol. It enables the company to focus on implementing its development strategy for steelmaking and iron ore assets in line with its vision for metallurgy of the future and consistent carbon footprint reduction

In 2022, Severstal's total GHG emissions (Scope 1 and 2) amounted to 27.08 million tonnes of CO₂e. Scope 1 and 2 emissions decreased by 3.19 million tonnes of CO₂e (10.5%) year-on-year due to a 7.8% reduction in steelmaking at Cherepovets Steel Mill and withdrawal of four companies, including Vorkutaugol (a reduction of 2.3 million tonnes of CO₂e), from Severstal.

¹ C₂, CH₄, N₂O, PFC, HFC, SF₆, NF₃

² It outlines a standard set of accounting and reporting rules for developing corporate inventories.

³ It is the guidance for determining Scope 2 emissions under the GHG Protocol. Severstal quantifies Scope 2 emissions by using the market and regional methods.

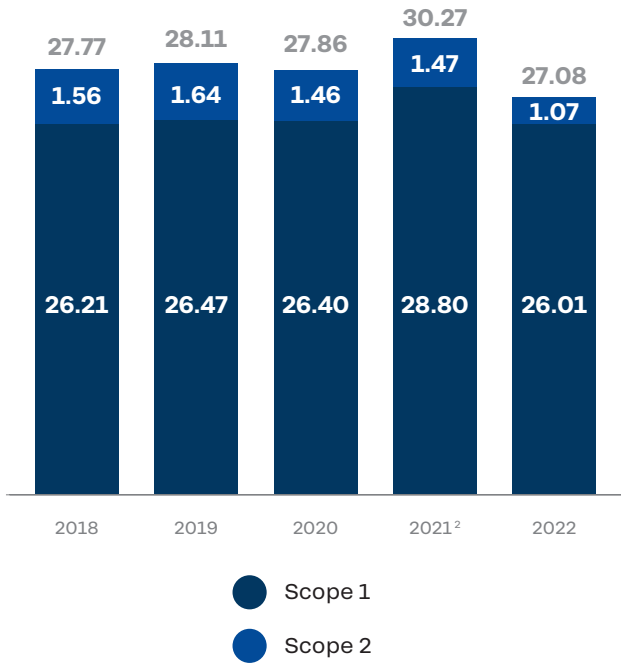
⁴ It provides additional requirements and guidance on developing comprehensive inventories of other indirect (Scope 3) emissions.

Vorkutaugol's withdrawal also led to reducing a contribution of methane emissions from coal mining to Severstal's total emissions and, accordingly, a share of fugitive emissions in 2022.

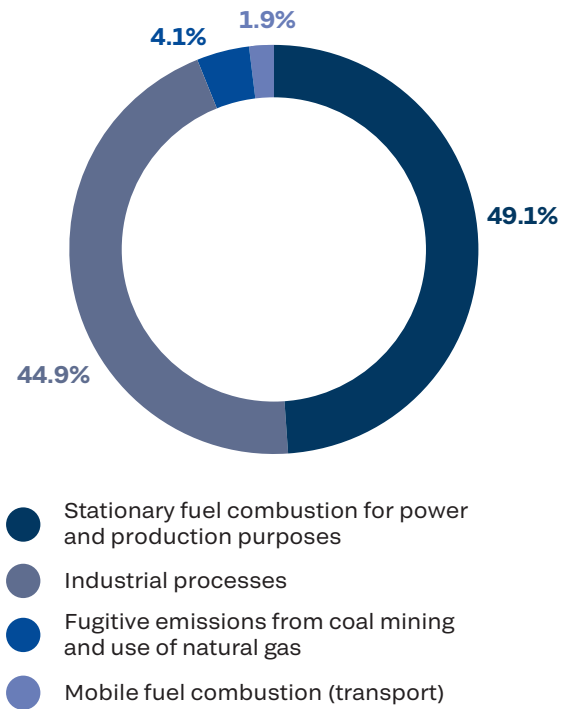
Most Scope 1 and 2 GHG emissions¹ accrue to CO₂ (26.05 million tonnes) and CH₄ emissions (1.00 million tonnes of CO₂e), while N₂O emissions amount to 0.03 million tonnes of CO₂e. Other greenhouse gas emissions (PFC, HFC, SF₆, NF₃) are not present or appear to be insignificant.

GRI 305-1 GRI 305-2 EM-IS-110a.1 EM-MM-110a.1
Charts displaying Scope 1 and 2 GHG emissions metrics

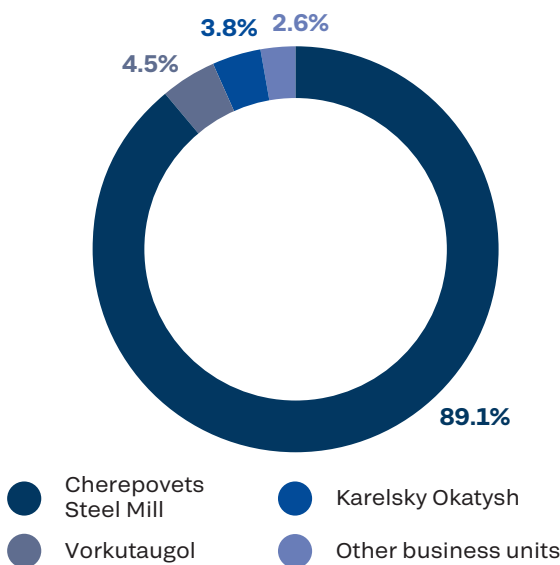
Direct and indirect energy-related greenhouse gas emissions², million tonnes of CO₂e



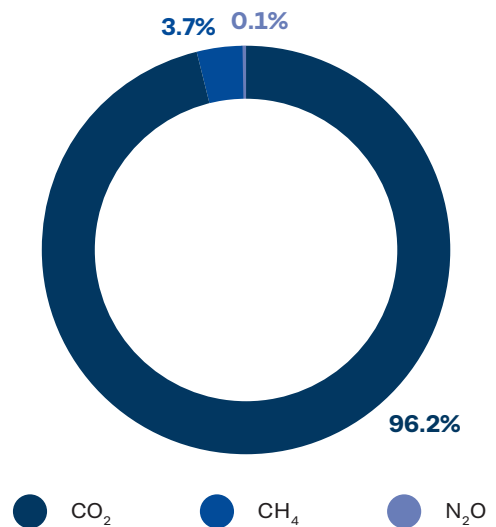
Key sources of GHG emissions in 2022, %



Major GHG emitters in 2022, %



Structure of GHG emissions in 2022, %



¹ The aggregate greenhouse gas emissions in CO₂e are estimated using global warming potentials pursuant to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

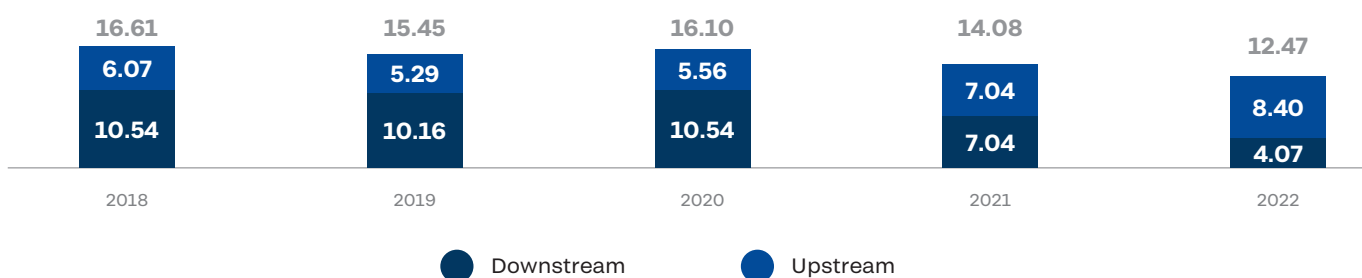
² The figures for 2021 differ from those published earlier due to adjustments. The coverage of Scope 2 emissions for 2021 has been revised due to an adjustment of the regional emission factors in connection with the decommissioning of coal-fired generation in the Vologda region as of 01.01.2021.

GRI 305-3

In 2022, the Scope 3 emissions amounted to 12.47 million tonnes of CO₂e (lower by 1.61 million tonnes of CO₂e, or 11.4% compared to 2021). Severstal calculates Scope 3 GHG emissions for all of its business units and all 15 categories of GHG emissions under the GHG Protocol.

Main contribution to Scope 3 in 2022	Commentary on trends as against 2021
<p>Scope 3 Upstream (8.40 million tonnes of C₂e) 90% of emissions accrue to purchase of goods and services, and to fuel- and energy-related activities (not covered by Scope 1 and 2)</p>	<p>An increase in emissions in the “Purchased goods and services” category by 1.21 million tonnes of CO₂e was due to the growth of coking coal purchases for Cherepovets Steel Mill from third parties caused by Vorkutaugol’s withdrawal from Severstal</p>
<p>Scope 3 Downstream (4.07 million tonnes of C₂e) 92% of emissions accrue to the processing and use of sold products</p>	<ul style="list-style-type: none"> ▪ A decrease in emissions in the “Processing of sold products” category by 1.91 million tonnes of CO₂e was mainly due to the decreased shipments of iron ore products from Karelsky Okatysh to third parties. ▪ A decrease in the “Use of sold products” category by 1.01 million tonnes of CO₂e was caused by the decreased Vorkutaugol’s thermal coal shipments and its withdrawal from Severstal

Other indirect GHG (Scope 3) emissions, million tonnes of CO₂e



Further to Vorkutaugol’s withdrawal from the Company and due to steelmaking volumes reduction at Cherepovets Steel Mill, the decrease in Scope 1, 2 and 3 GHG emissions amounted to 10.8%, or 4.8 million tonnes of CO₂e (39.55 million tonnes of CO₂e GHG emissions 2022)

During the reporting period, Severstal carried on with its practice of submitting the Scope 1, 2 and 3 GHG emissions and GHG emissions intensity data for an independent assurance¹.

The Conclusion issued in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) is contained in [Appendix 5](#) hereto. For details regarding the outcomes of GHG emissions monitoring for 2018–2022, see [Appendix 4](#).

¹ Previously, the 2019–2021 verification of absolute emissions and intensity had been performed. The assurance conclusions have been published in previous Severstal Sustainability Reports.

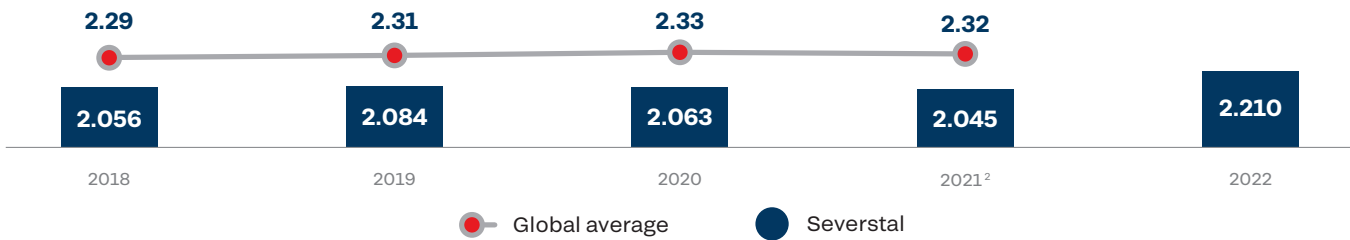
GRI 305-4

Severstal is among the top 25% of steel producers globally in terms of CO₂ emissions intensity for integrated plants, according to the World Steel Association, and strives to join the top 15% by 2030.

In 2022, the emission intensity in steel producing at Cherepovets Steel Mill amounted to 2.210 tonnes of CO₂/tonnes of steel, that is an 8.1% year-on-year increase, caused by the following:

- increase in specific cast iron consumption for steelmaking due to lower steel production volumes resulting from supply chain disruptions and changes in export markets;
- suspension of some major investment activities aimed at reducing greenhouse gas emissions due to, among other things, restrictions on access to imports of environmentally efficient equipment.

GHG emissions intensity¹, tonnes of CO₂/tonnes of steel



2023 and Mid-Term Targets

Severstal's core 2023 and mid-term climate change activities include:

- implementation of climate projects, including projects based on nature-based solutions;
- implementation of the Climate Risk Management Standard and elaboration of adaptation plans for the Company's key assets;
- development of cooperation under Severstal's Climate Memorandum, extensive participation in climate initiatives, including those elaborating the indicative GHG values for metallurgy with BAT Bureau;
- formation and submission of mandatory GHG emissions reporting in conformity with Federal Law dated 02.07.2021 No. 296-FZ on Limiting Greenhouse Gas Emissions;
- climate-related training for Company employees and university students, elaboration of the third course of "ProClimate" training programme dedicated to climate risk and opportunity management;
- promotion of Severstal's green products;
- implementation of Severstal's approved Decarbonization Strategy up to 2030.

Power Consumption and Energy Efficiency

Severstal continues implementing the energy conservation and efficiency measures that enable energy costs and greenhouse gas emissions reduction.

PAO Severstal's Energy Conservation Policy is aimed to reduce the energy intensity of products and provide for efficient use of energy resources, including through the maximum utilisation of secondary gases and introduction of cutting-edge energy-efficient technologies.

The Energy Efficiency Centre under Severstal's Chief Power Engineer Department is in charge of elaborating performance improvement measures in various areas (electric and heat power engineering, energy management, small-scale energy, renewables, etc.). Severstal has an ISO 50001:2011 compliant energy management system in place. In performing their energy conservation and efficiency obligations, the structural production units are guided by the established minimum energy consumption level and a list of respective measures updated on a monthly basis.

¹ The indicator is calculated in accordance with the World Steel Association's CO₂ Emissions Data Collection User Guide. The boundaries of the calculation include relevant CO₂ emissions for the three scopes. The data for the global average emissions for 2022 had not been published at the time this report was prepared.

² The figures for 2021 differ from those published earlier due to adjustments. The GHG emissions intensity for 2021 has been revised due to an adjustment of the regional emission factors (Scope 2) in connection with the decommissioning of coal-fired generation in the Vologda region as of 01.01.2021.

The Company maintains a personnel material motivation programme to reward employees for achieving KPIs in specific energy resources consumption, and applies payable bonuses under its Idea Factory project.

GRI 302-4

Severstal's specialists conduct energy audits of all business units on a yearly basis. In 2022, the Chief Power Engineer Department staff at Cherepovets Steel Mill performed 13 energy audits across the Company's resource assets, each of them assisting the production facilities in dealing with internal issues and in achieving the economic effect of over RUB 300 million.

Under "End-to-End Energy" project, the effect of over RUB 83 million for reducing the energy consumption costs against 2021 was achieved in the reporting year.

The project aims to improve the Company's enterprises' energy efficiency through elaborating and implementing a unified strategy for centralised management of energy flows (procurement, production, and consumption of energy resources).

Energy generation and consumption metrics

Cherepovets Steel Mill accounts for the prevailing share of Severstal's electricity consumption. Over the reporting period, Cherepovets Steel Mill's electricity consumption decreased by 4.4% year-on-year due to the decreased production volumes.

GRI 302-1

Power consumption at Severstal's core enterprises, GWh

Enterprise	2020	2021	2022
Cherepovets Steel Mill	5,775	6,317	6,038
Vorkutaugol ¹	547	535	184
Olcon	459	452	388
Karelsky Okatysh	1,583	1,636	1,650
Severstal-Metiz	158	170	144
Severstal Steel Ropes, Volgograd branch	37	38	35
OSPAZ	39	39	39
Yakovlevskiy Mine	59	75	82
Izhora Pipe Mill	36	41	50

Cherepovets Steel Mill set a goal to achieve a 95% share of consuming own-generated energy by 2030 and developed a programme to optimise energy consumption and power new units with own generation. As part of the programme, Cherepovets Steel Mill strives to increase the share of secondary gas usage in electricity generation. Part of Cherepovets Steel Mill's energy is already classified as green and carbon-free energy as it is generated on top-pressure recovery turbines (TRT) with overpressure of blast furnace gas used instead of fossil fuel combustion.


¹ The sale of Vorkutaugol took place in April 2022, so the Company's data are only considered for the Q1 of 2022.

Over the reporting period, Cherepovets Steel Mill generated a record-breaking volume of electrical power — 4,675 million kWh (GWh), a 2.1% year-on-year increase. With the mill’s total electricity consumption of 6,038 million kWh, the share of in-house generation amounted to 77.4%, a 4.9% year-on-year increase.

The increase in the Company’s own generated electricity was achieved through turbine generator No. 7 of TPP-SS¹ and TRT-25 turbine of the gas shop renovated in 2021, reaching their design capacity. Likewise, this enabled the enterprise to reach another record of 14.40 million kWh of daily electricity generation.

EM-MM-130a.1 EM-IS-130a.1 EM-IS-130a.2

Power generation and consumption by Cherepovets Steel Mill, million kWh (GWh)

Indicator	2020	2021	2022
Total, including:	6,200	6,758	6,463
From external sources 	1,531	2,178	1,788
In-house generation, including:	4,669	4,580	4,675
TPP-SS	2,731	2,733	2,901
TPP-PS	1,672	1,653	1,490
TRT	142	79	190
TSC	124	114	94
In use in shops	5,720	6,260	5,972
Industrial consumption	5,772	6,314	6,038
Losses	52	55	64
Sales to third parties	425	440	425
Non-industrial consumption	3	3	3

Amount of fuel used at Cherepovets Steel Mill, million m³

Type of fuel	2020	2021	2022
Blast furnace gas	12,457	14,186	14,029
Coke oven gas	2,114	2,355	2,394
Natural gas	2,615	2,938	2,958

¹ Resulting from the integration of advanced technologies, the turbine generator capacity was increased to 121 MW at a design capacity of 100 MW.

In 2022, Cherepovets Steel Mill's gas-fired power plants increased the share of secondary energy resources combustion from metals practice by 2.3% compared to 2021, hence reaching 84.8%. Whereas the share of purchased resources (natural gas) for electricity generation fell to 15.2%.

The positive dynamics in using the secondary gases in 2022 was achieved owing to:

- increase in the output of blast furnace gas to 1,466 m³ (vs 1,444 m³ in 2021) per tonne of cast iron produced, and of coke oven gas to 384 m³ (vs 374 m³ in 2021) per tonne of loaded charge;
- repair and organisational measures (upgrade of burner devices, overhaul of boiler units, adjustment of combustion modes, energy consumption control operation).

GRI 302-3

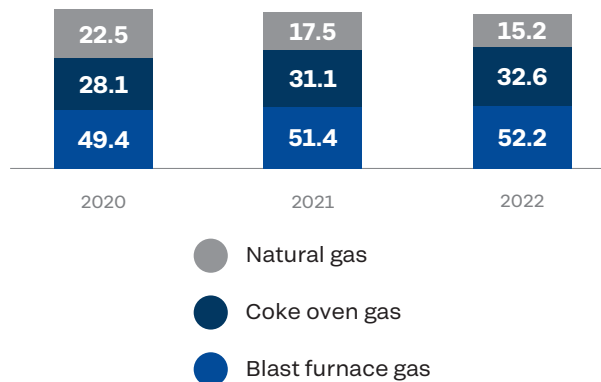
In 2022, the specific electricity consumption amounted to 565 kWh/ tonnes of steel, a 4.2% year-on-year increase. The specific natural gas consumption reached 277 m³/ tonnes of steel, a 9.9% year-on-year increase, due to the changes in cast iron production mixing.

2023 and Mid-Term Targets

In 2023, Severstal intends to attend to the following investment activities:

- construction of a boiler house with a boiler unit to remove the steam load limitations;
- upgrade of the turbine unit and existing equipment to increase the capacity up to 110 MW.

Structure of fuel used at Cherepovets Steel Mill, %



Environmental Protection

2022 Highlights

RUB 6 billion

environmental protection investments

45.2 thousand tonnes (15.2%)

reduction in pollutant emissions at Cherepovets Steel Mill under the Clean Air federal project at year-end 2022 compared to 2017 baseline

98.4%

share of water recycling

99.1%

share of waste recycling

UN Global Compact Principles

Principle 7. Businesses should support a precautionary approach to environmental challenges.

Principle 8. Business should undertake initiatives to promote greater environmental responsibility.

Principle 9. Business should encourage the development and diffusion of environmentally friendly technologies.

Material Topics

- Air pollution
- Waste management
- Water consumption and impact on water resources
- Impact on land resources and biodiversity

UN Sustainable Development Goals



Environmental Management System

GRI 3-3

Responsible environmental management and minimisation of negative impact on the environment are amongst the priorities of Severstal's production activities. The Company strives to implement best available ecological practices.

Key internal documents in environmental protection:

- Severstal's priority environmental protection areas are set forth in its corporate [Environmental Policy of the Severstal Group of Companies](#):
 - Prevention and minimisation of the environmental footprint
 - Contribution to tackling GHG emission challenges
 - Prudent and rational use of energy and natural resources
 - Efficient waste management
- The 2030 targeted environmental programme includes carrying out measures in the priority areas of environmental protection, implementation of best available technologies among them, to achieve ecological goals and mitigate negative impacts and risks.
- The environmental strategic goals are stipulated by [the Company's Sustainability strategy until 2030](#), approved by the Board of Directors in 2023.

For more details regarding achievement of the environmental targets, see related sections on environmental protection.

Nine¹ of Severstal's enterprises employing 93% of the staff² are covered by ISO 14001:2015 certification. All external audits conducted at the certified enterprises in 2022 reaffirmed compliance of the existing environmental management systems with the international standard requirements.

In 2022, Severstal introduced a unified procedure for classifying and recording environmental incidents and reflected it in its Environmental Breach Investigation standard³. Pursuant to the said procedure, the Company determines the circumstances and causes of an incident and elaborates preventive and corrective measures.

In 2022, the release of environmental product declarations (EPD) for six types of Cherepovets Steel Mill products was also in progress. Early in the reporting year, life cycle assessment was completed, EPDs were drawn up, and an approval was obtained from an independent verifier. However, due to the suspension of EPD registration in the international system, the process was postponed.

¹ After the sale of Vorkutaugol in 2022. In the reporting year, no certification was performed for the Company's enterprises previously not covered by certification.

² Among the enterprises producing a negative environmental impact.

³ The standard is an internal document of the Company and is not publicly available.

Environmental Management Structure, KPI System and Training

At Severstal, the following organisational units are in charge of managing its environmental aspects, risks, and opportunities at various levels:

Organisational unit	Key environmental protection responsibilities
At the senior management level	
The Board of Directors	<ul style="list-style-type: none"> ▪ Approves strategic priorities, goals, and objectives in environmental protection ▪ Assesses and approves environmental risks ▪ Monitors the implementation of environmental measures and achievement of ecological targets
The Safety and Sustainability Committee	<ul style="list-style-type: none"> ▪ Gives recommendations to the Board of Directors to ensure compliance with best available environmental practices, applicable environmental laws, environmental reporting standards, and nature-related ESG ratings ▪ Coordinates the preparation of environmental reports and actualisation of the fundamental corporate documents in environmental protection ▪ Assesses the progress of reaching the environmental targets ▪ Examines material environmental risks and mitigation plans ▪ Analyses significant environmental incidents and breaches of environmental laws
At the managing company level	
Director of Occupational Health, Safety and Environmental Protection (HSE)	<ul style="list-style-type: none"> ▪ Ensures the implementation of strategic environmental decisions passed by the Safety and Sustainability Committee
Head of the Environmental Protection Department	<ul style="list-style-type: none"> ▪ Fosters cooperation between all divisions of the Company to implement environmental protection measures
At the level of divisions and enterprises	
Severstal Russian Steel division's HSE department	<ul style="list-style-type: none"> ▪ Monitors observance of environmental regulations and requirements
Heads and functions of enterprises	<ul style="list-style-type: none"> ▪ Responsible for dealing with environmental issues at the level of their enterprises

In 2022, the following environmental KPIs were approved for senior managers of Severstal divisions' and structural units' enterprises:

- zero accidents at hazardous production facilities;
- zero major environmental accidents;
- zero environmental breaches;
- zero over-limit emissions, discharges, and waste disposal;
- achievement of GHG emission intensity targets.

On top of that, the Cherepovets Steel Mill managers are subject to KPIs that are related to delivering the targeted environmental programme, achieving

the Clean Air federal project metrics, and reducing pollutant emissions as part of the relevant integrated plan.

Severstal strives to form a responsible attitude towards the environment among its employees. In 2022, 1,786 employees were covered by environmental training in a variety of forms, of which 296 completed mandatory training as required by law. Cherepovets Steel Mill introduced a system of environmental testing on a shift basis for workers and managers. They may check their environmental knowledge using special terminals, PCs, and personal smartphones.

Stakeholder Engagement on Environmental Agenda

Pursuant to environmental laws, Severstal organises public debates with stakeholders regarding the proposed economic operations at the facilities subject to state environmental review. In 2022, public hearings were held for the enterprises of Karelsky Okatysh, Olcon, and Yakovlevskiy Mine. The hearings ended up with the release of approvals, and public remarks were factored in when drafting the EIA¹ sections related to projects.

Severstal takes a responsible approach towards stakeholders' submissions and makes sure they are actioned appropriately. In 2022, the Company received several requests about dust appearing on personal cars parked near one of the Cherepovets Steel Mill checkpoints. Action was taken on the facts indicated in the appeals, and timely responses were prepared and sent.

Positive feedback on the Company's environmental activities

In 2022, Severstal conducted its annual public opinion poll in the cities of presence. Over 50% of respondents in Cherepovets gave a positive answer to the question of whether the Company attends to the issue of reducing its environmental footprint. In Kostomuksha, 51% of respondents answered positively to the same question and emphasised that Severstal places a strong focus on the environmental agenda and impact reduction.

As part of Severstal's contribution to the Clean Air federal project, a public opinion poll was held in 12 industrial clusters participating in the project. The poll numbers were submitted to a meeting of the Civic Chamber of the Russian Federation involving government officers, business and public members, research and expert communities' representatives. Cherepovets and Severstal are in the "green zone" on the "traffic light indicator of public perception of air quality". The experts also stressed the significance of the positive response of the residents of Cherepovets to the activities carried out to reduce pollutant emissions as part of the federal project "Clean Air".

Beyond that, Severstal's experts took part in the following activities dedicated to the present-day issues in 2022:

- Ecosystem. Sustainable Development national youth environmental forum;
- meeting of the Coordinating Council of the Metsola Biosphere Reserve;
- meetings of the Environmental Council under the Volgograd region governor aimed at discussing the implementation of environmental measures by regional enterprises;
- GreenTech Startup Booster acceleration multi-sectoral programme aimed to support the integration of ecology and sustainability technologies;
- HSE DAYS international project that brings together HSE (health, safety, environment) professionals, carriers of best practices, expertise, and hands-on experience in environmental protection and occupational health management;
- Seymartec Ecology. Ecology, Safety and Occupational Health 2022 conference;
- conferences, roundtables, and forums under the Clean Air federal project.

In 2022, Karelsky Okatysh continued participating in the Clean Arctic project on the assessment of environmental damage accumulated as a result of the Arctic development in the USSR era.

Likewise, Severstal's representatives were extensively involved in improving the environmental regulations within the framework of:

- the Commission on Occupational Health and Safety, Environmental Safety of the Russian Steel Association;
- the Committee on Ecology and Environmental Management of the Russian Union of Industrialists and Entrepreneurs;
- technical working groups of the Bureau of Best Available Techniques (BAT) on updating information and technical BAT reference documents, the Expert Council for Technical and Economic Evaluation of Investment Projects on BAT Integration;
- Rosprirodnadzor's Scientific and Technical Council and the working groups "Organisation and Implementation of State Environmental Review", "BAT and Integrated Environmental Permit", "Air Protection", "Protection of Water Bodies", "Biodiversity Conservation", "Subsoil Protection and Sustainable Use";
- an interdepartmental working group on regulation of discharges of pollutants into water bodies.

¹ Environmental impact assessment.

Supply Chain Responsibility

Control over the actual environmental footprint across the supply chain is amongst Severstal's priorities in environmental protection. The Company would always prefer working with environmentally responsible suppliers seeking to prevent and minimise the impact of their operations on the environmental elements.

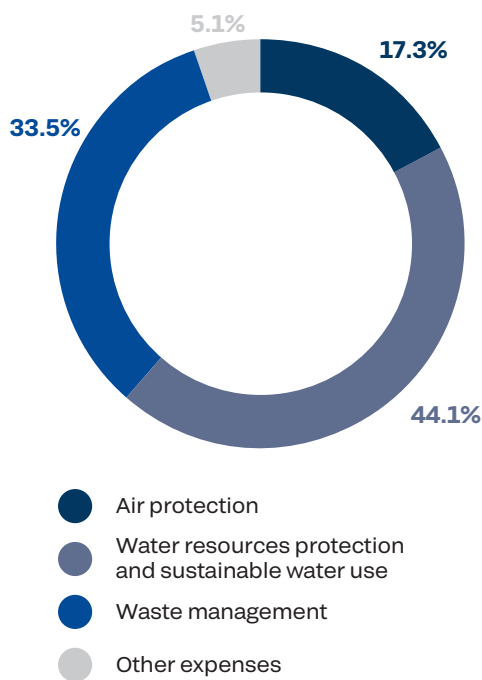
For more details regarding ecological aspects of the supply chain, see the Responsible Supply Chain section.

Environmental Management Performance

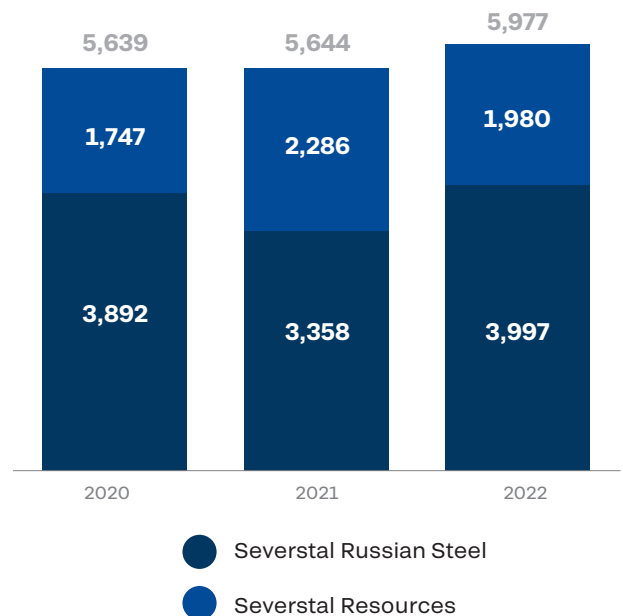
In 2022, Severstal's total environmental expenditures, inclusive of operational costs and investment, amounted to almost RUB 6 billion demonstrating a 6% year-on-year increase. Cherepovets Steel Mill's expenditures amounted to RUB 3.7 billion.

The environmental expenditure structure underwent the following changes: the share of sustainable water use costs increased (33.6% in 2021), whereas the share of air protection costs decreased (25.1% in 2021).

Key environmental investment areas in 2022, %



Cost of environmental protection activities, RUB million¹



In 2022, the expenditures under the targeted environmental programme exceeded RUB 1.9 billion. When reviewing Severstal's annual investment programme for the next reporting period, a strong focus was placed on the targeted environmental programme to be implemented in the following areas: reduction of air emissions, wastewater quality improvement, biodiversity monitoring, and efficient waste management.

The 2023 investment programme covers 57 environmental protection activities, including 38 projects for the Cherepovets industrial site. The funding for the 2023 activities exceeds RUB 2 billion.

GRI 2-27

To verify the Company's compliance with environmental requirements, during 2022 the state supervision bodies carried out inspections at five Severstal's enterprises. No significant environmental fines and/or damages exceeding USD 1 million, and no incidents / major accidents with significant impact on the environmental elements were recorded. In 2022, Severstal paid a total of RUB 965,000 in fines (violations identified in prior reporting periods included).

In 2022, the share of over-limit fees in the aggregate environmental footprint amount reduced from 33.7% in 2021 to 31.4% in 2022.

¹ In April 2022, Vorkutaugol was sold, for which reason the data, hereinafter in the Environmental Protection chapter, for this enterprise within the Severstal Resources division is considered for Q1 2022 only.

Air Pollution

Short-term goal

Reduce pollutant emissions

by **13%**

by 2025
compared to 2017 baseline

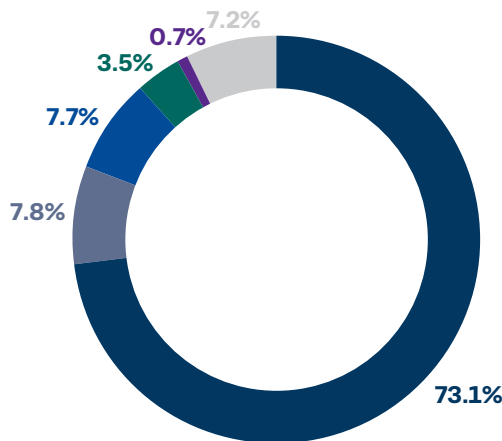


The Company understands that the quality of atmospheric air is crucial for the health of residents of its regions of presence, including its own employees. To this effect, the core areas of Severstal's environmental activities cover air protection and reduction of pollutant emissions from its operations.

Structure of pollutant emissions

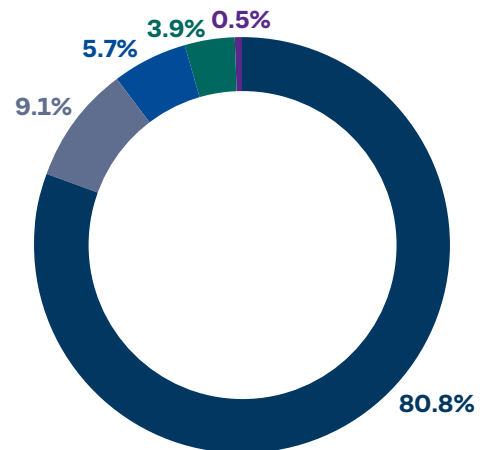
Cherepovets Steel Mill¹, a full-cycle metallurgical plant, accounts for the bulk of emissions from the Severstal Russian Steel division operations. Its sinter plants generate 73% of those emissions, and the structure of the Cherepovets Steel Mill emissions is dominated by carbon monoxide (81%), a low-hazard substance. Emissions originating from the technological processes are collected by four types of gas treatment systems.

Share of pollutants emitted by certain workshops of Cherepovets Steel Mill in 2022, %



- Sinter
- Coke
- Steelmaking
- Blast furnace
- Rolling
- Auxiliary

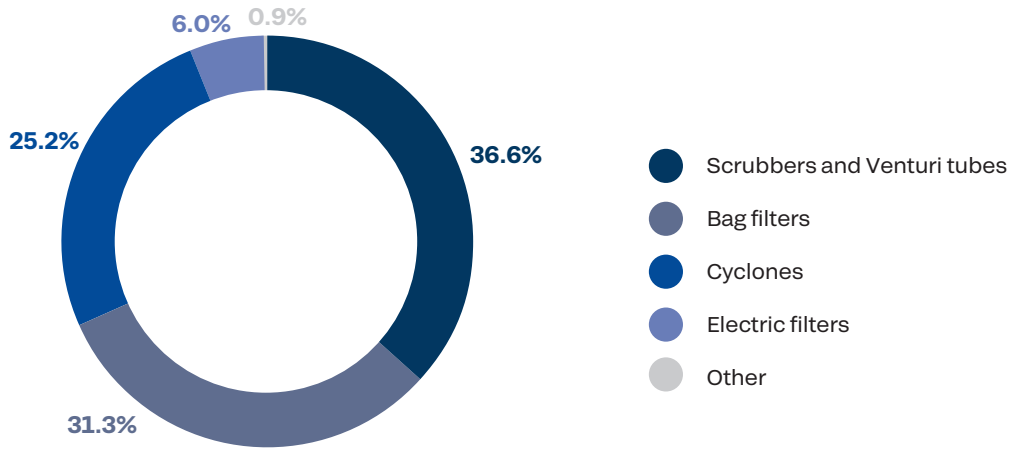
Composition of air emissions at Cherepovets Steel Mill in 2022, %



- Carbon monoxide (CO)
- Sulphur dioxide (SO₂)
- Particulate matter (dust)
- Nitrogen oxides (NO₂+NO)
- Other substances

¹ Composition of production: coke batteries, sinter machines, blast furnaces, converters, electric arc furnaces, rolling mills.

Structure of gas treatment equipment at Cherepovets Steel Mill, %



GRI 3-3

Participation in the Clean Air federal project

The city of Cherepovets is listed among the 12 industrial centres participating in the Clean Air federal project. Under both the project and the comprehensive action plan for the reduction of pollutant emissions approved by the Government of the Russian Federation, Severstal has been ensuring the phased performance of its obligations to reduce gross emissions since 2018.

In 2022, as part of a federal initiative, the Company was extensively involved in an experiment on quotas for emissions of hazardous (priority) air pollutants¹. During the experiment, new ambitious targets were set: to not only deal with gross emissions but also to achieve a reduction in priority pollutant emissions by 2025.

At year-end 2022, the cumulative reduction in pollutant emissions amounted to 15.2% against the 2017 baseline (due to the measures implemented under the Clean Air federal project), and the cumulative reduction in priority pollutant emissions amounted to 11.4% against the 2017 baseline.

As part of the Clean Air federal project, the Company has performed 16 out of 26 scheduled activities, including the four completed in 2022. The initiatives cover technical reequipment of the key process units, reconstruction of the gas treatment equipment, and decommissioning of certain outdated metallurgical facilities. The overall expenditures for the measures implemented in 2018–2022 amounted to RUB 12.7 billion

Public recognition under the Clean Air project

PAO Severstal won the All-Russian “I Choose Clean Air” campaign supported by the project office of the Clean Air federal project of the Ministry of Natural Resources and Environment of the Russian Federation. In 2022, 15 constituent entities, 27 cities and hundreds of thousands of residents took part in the campaign, travelling 869,123 clean kilometres by choosing an alternative travel mode. PAO Severstal was awarded the winner’s certificate in the Most Active Enterprise category.

In 2022, during the round table held at the Civic Chamber of the Russian Federation and dedicated to the Clean Air federal project, the attending experts highly appreciated the upgrade of Cherepovets Steel Mill and improvement of the environmental performance in Cherepovets.

¹ These include sulphur, nitrogen and metal oxides, polycyclic aromatic hydrocarbons (PAH), suspended matter, and hydrocarbons.

Dynamics of pollutant emissions

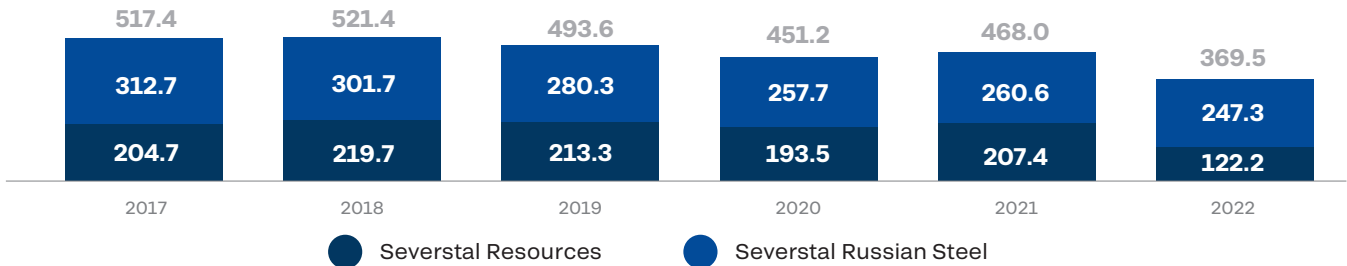
GRI 305-7 EM-MM-120a.1 EM-IS-120a.1

In 2022, the amount of pollutants emitted by all Severstal enterprises was 369.5 thousand tonnes, which is a 21% decrease year-on-year:

- Severstal Resources division demonstrated a 41% decrease in its emissions due to the sale of Vorkutaugol and overall production reduction at Karelsky Okatysh;
- Severstal Russian Steel division's emissions dropped by 5% due to the emission reduction at Cherepovets Steel Mill.

Under its Sustainability Strategy, Severstal targeted to reduce the gross pollutant emissions across the Company by 13% by 2025 against the 2017 baseline. By year-end 2022, the progress against the baseline was represented by a 29% decrease in the emissions¹.

Severstal's pollutant emissions, thousand tonnes



Severstal's pollutant emissions broken down by separate substances, thousand tonnes

Type of pollutant	2020	2021	2022
Nitrogen oxides (NO ₂ +NO)	15.6	16.7	15.6
Sulphur dioxide (SO ₂)	101.6	104.4	98.8
Volatile organic compounds (VOC)	0.9	1.1	1.3
Particulate matter (PM)	22.3	24.4	19.7
Carbon oxide (CO)	208.8	212.0	202.3
Other	102.0	109.4	31.8
Total	451.2	468.0	369.5

Cherepovets Steel Mill emissions declined by 5.1% in 2022 compared to 2021 due to the implementation of the measures under the Clean Air federal project, reduction of sulphur content in iron ore for agglomeration, and overall production reduction.

In 2022 specific pollutant emissions of Cherepovets Steel Mill were 23.0 kg/tonne of steel, which is 3.3% higher compared to 2021, due to reduction of steel production by 8.2% as a result of changing conditions of foreign economic activity.

Absolute and specific pollutant emissions at Cherepovets Steel Mill

Pollutant emission indicators	2020	2021	2022
Nitrogen oxides (NO₂+NO), thousand tonnes	11.0	10.4	9.7
(specific emissions), kg/tonne of steel	0.96	0.89	0.91
Sulphur dioxide (SO₂), thousand tonnes	25.7	24.7	22.4
(specific emissions), kg/tonne of steel	2.24	2.12	2.10
Volatile organic compounds (VOC), thousand tonnes	0.4	0.3	0.3
Particulate matter (PM), thousand tonnes	14.0	15.1	14.0
(specific emissions), kg/tonne of steel	1.23	1.30	1.31
Carbon oxide (CO), thousand tonnes	204.8	208.0	198.8
(specific emissions), kg/tonne of steel	17.85	17.86	18.59
Other, thousand tonnes	0.5	0.7	0.7
Total, thousand tonnes	256.4	259.2	245.9
(specific emissions), kg/tonne of steel	22.36	22.26	23.00

¹ Subject to the sale of Vorkutaugol.

Activities performed in 2022 to reduce pollutant emissions

In 2022, the Company carried out the following activities aimed at the reduction of air pollutant emissions:

	Activities	Expected effect/result	Progress
Cherepovets Steel Mill	Sinter plant No. 3: technical reequipment of the solid fuel preparation unit (installation of the air separation system, replacement of crushing equipment with crushing mills)	Reduction in C emissions by more than 5 thousand tonnes caused by minimising the formation of dust fraction and improving the solid fuel combustion	☑
	Sinter plant No. 3: replacement of two electric filters of the aspiration air treatment system	Reduction in dust concentration from 170 mg/m ³ to less than 30 mg/m ³ and in dust emissions by 73 tonnes	☑
	Sinter plant No. 3: reconstruction of the aspiration systems of the junction house No. 3	Reduction of dust emissions into the atmosphere by 36 tonnes	☑
	Converter production: replacement of the converter gas treatment system step	Reduction of dust concentration in exhaust gases to 50 mg/m ³ with the increased liquid iron flow rate	☑
	Coke shop No. 2: shutdown of the No. 9 coke battery complex	Reduction in emission of specific pollutants (including formaldehyde and dust)	☑
	Coal preparation shop: replacement of two aspiration systems of the final crushing department	Reduction of dust emissions into the atmosphere by 12 tonnes	☑
	Charge preparation shop: reconstruction of the aspiration system of the junction house No. 51	Reduction of dust emissions into the atmosphere by 32 tonnes	→ Construction and installation works completed; start-up and commissioning scheduled for 2023
Karelsky Okatysh	Upgrade of the No. 2 electric filter control system of the baking machine No. 1	Reduction in dust emissions by 35 tonnes per year	☑
	Upgrade of inefficient gas treatment systems	Treatment efficiency: 98.6%-99.7%	☑
	Research on obtaining alabaster binding material and artificial alabaster material from alabaster sludge (cake) from desulphurisation (completion of the pilot system testing)	Assessment of the feasibility of obtaining marketable products from exhaust gas treatment	☑ Certification tests of the products obtained were held, specifications for their production, terms of reference for the production area design, and the production line layout were drawn up

☑ - completed

→ - in progress

Air monitoring

Severstal carries out air monitoring in the regions of its presence.

For example, at Cherepovets Steel Mill, the results of atmospheric air monitoring on the sanitary protection zone border and within the area of the enterprise's emissions effect are communicated to employees on a monthly basis through the running line monitors.

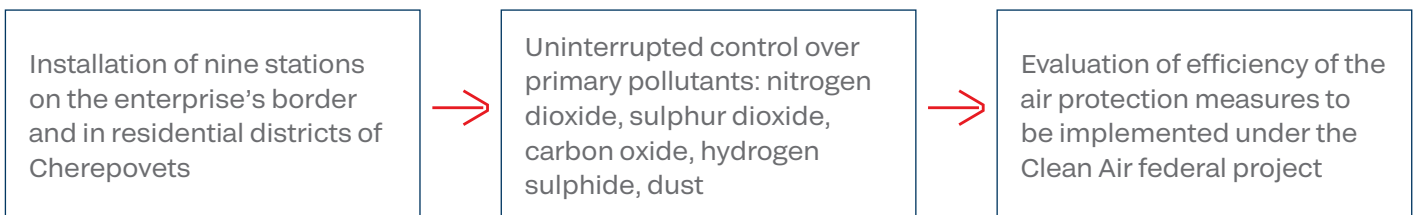
At Karelsky Okatysh, carbon oxide (CO), nitrogen dioxide (NO₂), sulphur dioxide (SO₂), and carbon (soot) are regularly measured at control points on the sanitary protection zone border and in residential areas. Simultaneously, the wind direction and speed, temperature, relative air humidity, and atmospheric pressure are defined. In 2022, 1,391 measurements were taken at the control points of the mill's sanitary protection zone. No exceedance of the permissible norms was detected.

2023 and Mid-Term Targets

Severstal's 2023 targets to reduce air emissions are listed below:

Cherepovets Steel Mill:

- Pursuance of implementation of the measures covered by the Clean Air federal project:
 - Chief Power Engineer Office: boiler unit construction;
 - Sinter plant No. 3: reconstruction of the electric filter of the aspiration air treatment system.
- Coke batteries Nos. 5, 6: completion of reconstruction of the electric filter of the dust-free coke output unit;
- Creation of a network to monitor the air quality by small-sized control stations:



Karelsky Okatysh:

- Reconstruction of three electric filters: in the area of crushing and milling non-ore materials, on the baking machine No. 1;
- Upgrade of inefficient gas treatment systems.

Olcon:

- Replacement of the outworn aspiration systems of the crushing and preparation plant.

Yakovlevskiy Mine:

- Development of design documentation for replacement of the aspiration systems at the stowing complex No. 1 and in the area of water suppression, operation of mine shafts and lifts.

Responsible Water Use

Short-term goal

Reduce pollutants discharged into water bodies exceeding the permissible discharges standards

by **12%**

by 2025 compared to 2017

for PAO Severstal,
Cherepovets Steel Mill



GRI 3-3 GRI 303-1 GRI 303-2

Severstal pays considerable attention to implementing sustainable water use practices and improving wastewater quality to comply with applicable standards. The Company's enterprises address the water protection challenges in a comprehensive way by gradually achieving the appropriate use of water in production.

Key document in the field of responsible water use

- Severstal's [Management of Used Water Resources Guidelines](#) (hereinafter referred to as the Guidelines) sets forth the unified water protection requirements for the Company's enterprises to ensure a holistic approach to managing the impacts on water bodies.

According to the [Water Risk Atlas](#) released by the World Resources Institute (WRI), Severstal's core enterprises are located in the regions with no high burden on water resources (the Vologda region, the Murmansk region, and the Republic of Karelia). The regions of the Company's presence have sufficient water supply.

Severstal's water intake from surface water bodies does not produce a significant impact on water resources. The impact of Cherepovets Steel Mill (the main consumer of natural water) on the water body is insignificant, amounting to only 0.07% by year-end

2022, hence the Company assesses its water scarcity risk as insignificant. Pollutant discharge reduction is Severstal's strategic area in decreasing the negative impacts on water bodies.

For more details regarding natural sources of water consumption and water discharge facilities, see [Severstal's Water Protection Activities Report](#).

The Company identifies the risks associated with observance of the statutory water use requirements as the relevant water risks.

The Company's key water use risks

Risk groups	Risk mitigation activities
Carrying out activities without permits	<ul style="list-style-type: none"> observance of statutory requirements on water protection activities
Over-limit discharges of pollutants	<ul style="list-style-type: none"> development and implementation of measures to reduce pollutant discharges down to applicable standards (MPL¹) monitoring the wastewater pollution metrics on a regular basis

¹ Maximum permissible limit (MPL) means the maximum weight of pollutant allowed for discharge to a water body, that, if met, enables achieving the environmental quality in accord with environmental laws of the Russian Federation.

Heads of the Company's business units¹ are in charge of permit availability, observance of applicable limits and standards, and implementation of action plans to reduce pollutant discharges to water bodies.

To exercise control over the observance of the statutory water use restrictions and corporate governance standards and, accordingly, prevent over-limit impacts on water resources of the Company's enterprises, Severstal:

- concludes contracts with water suppliers and consumers, stipulating therein water consumption, water discharge, and pollutant discharge limits;
- regularly monitors water resource use, wastewater pollution levels, and natural water quality at baseline and control sections, and at discharge locations, with the involvement of accredited organisations (with that, submits monitoring results to supervisory bodies on a quarterly and annual basis);
- monitors performance and engineering status of water treatment equipment.

In 2022, the Company did not encounter any significant breaches of water protection regulations.

Dynamics of water use metrics


Cherepovets Steel Mill accounts for a significant share of Severstal's consumption and discharge after the use of water resources. In 2022, the following water use pattern was being evidenced across the mill as against 2021:

- reduced water intake from surface water bodies for production needs due to the decreased output;
- increased water consumption for household needs due to the growth in the number of employees back in office after restrictions lift;
- decreased water consumption and share of water intake from alternative sources due to precipitation reduction;
- decreased water discharge after water use due to reduced precipitation and production as well as water level rise in ash and sludge storage facility No. 2.

Within the Severstal Resources division, the major impact on the water consumption and discharge performance metrics was made by the sale of Vorkutaugol.

GRI 303-3 **GRI 303-4** **GRI 303-5** **EM-MM-140a.1** **EM-IS-140a.1.**

Water consumption and discharge², thousand m³

	Cherepovets Steel Mill			Severstal Resources			Total for Severstal		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
(1) Total water consumption from natural sources: 	59,056	63,086	59,343	6,966	7,126	4,689	66,022	70,212	64,032
from surface bodies, including for:	45,967	50,787	48,613	1,303	1,313	1,302	47,270	52,100	49,915
▪ production needs	45,949	50,768	48,590	1,303	1,313 ³	1,302	47,252	52,081	49,892
▪ household needs	18	19	23	0	0	0	18	19	23
from underground sources (well), including for:	34	41	20	1,874	1,898	739	1,908	1,939	759
▪ production needs	9	10	2	1,693	1,733 ³	697	1,702	1,743	699
▪ household needs	25	31	18	181	165	42	206	196	60
from alternative sources for production needs	8,120	6,746	4,710	413	386	322	8,533	7,132	5,032
from Vodokanal municipal utilities, including for:	4,935	5,512	6,000	3,376	3,529	2,326	8,311	9,041	8,326
▪ production needs	573	647	667	1,963	2,085	968	2,536	2,732	1,635
▪ household needs	4,362	4,865	5,333	1,413	1,444	1,358	5,775	6,309	6,691

¹ Except for business units that discharge of effluents only through centralised discharge systems.

² The Company makes use of only freshwater resources for water consumption and discharge.

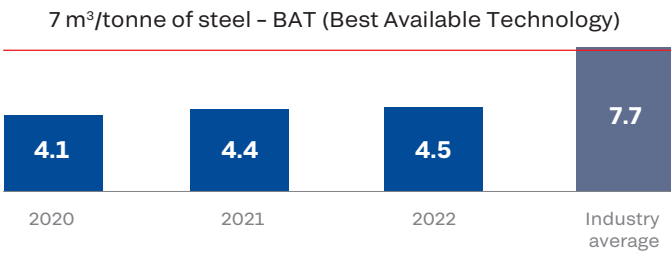
³ The value differs from the previously published one due to updates causing the introduction of the relevant changes in tabled estimates.



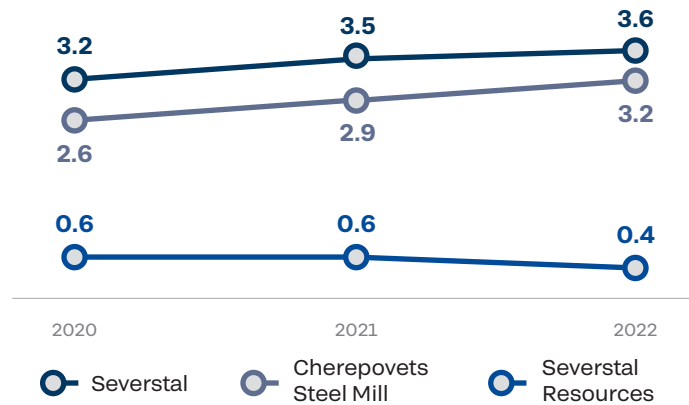


	Cherepovets Steel Mill			Severstal Resources			Total for Severstal		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
(2) Water discharges to natural sources after use	28,903	28,399	24,893	367	308	314	29,270	28,707	25,207
Irrevocable water consumption (1) - (2)	30,153	34,687	34,450	6,599	6,818	4,374	36,752	41,505	38,825
Share of water from alternative sources for production needs	14.9%	11.3%	8.7%	7.7%	7.0%	9.8%	14.2%	11.2%	8.8%

Specific water consumption at Cherepovets Steel Mill, m³/tonne of steel



Specific irrevocable water consumption, m³/tonne of steel



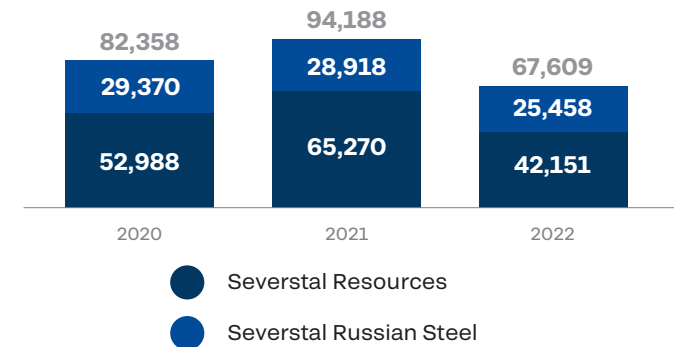
The Severstal Resources division accounts for a significant share (62.3%) of the total water discharge to water bodies due to the discharge of mine drainage and pit water without using it in production. Karelsky Okatysh, Olcon, and Yakovlevskiy Mine are responsible for most of Severstal Resources' wastewater discharges, while Cherepovets Steel Mill is liable for most of Severstal Russian Steel's wastewater discharge.

In 2022, Severstal's total wastewater and pollutant discharges to water bodies decreased by 28% and 36%, respectively, compared to 2021, due to:

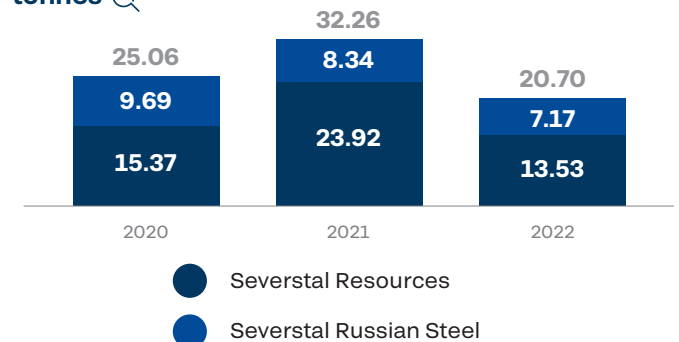
- the sale of Vorkutaugol, reduced precipitation and water inflow, and closure of the spillway to raise the water level in the Karelsky Okatysh tailings facility (for Severstal Resources division);
- decreased wastewater discharge at Cherepovets Steel Mill due to the reduced precipitation and production, and increased water levels in ash and sludge storage facility No. 2 (for Severstal Russian Steel division).

GRI 303-4

Water discharge to water bodies, thousand m³



Pollutant discharges to water bodies, thousand tonnes



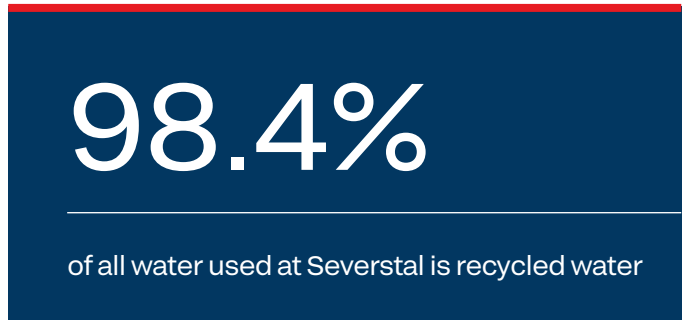
At the end of the reporting period, the 2025 target of a 12% reduction vs 2017 in the weight of pollutants discharged to water bodies above the MPL¹ for PAO Severstal, Cherepovets Steel Mill was achieved by 89.2%.

In 2022, Cherepovets Steel Mill discharged of 24.9 million m³ wastewater discharged into the Koshta River of the Rybinsk Reservoir at two outlets according to the permits, within the established limits, and post-treatment:

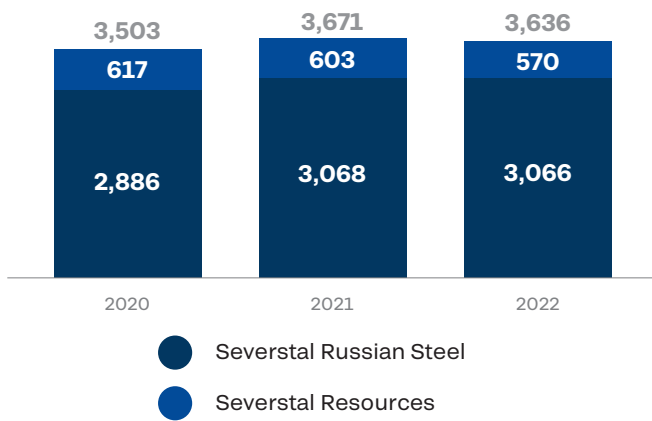
- at outlet No. 10 after clarification ponds and a single filter station (physical and chemical treatment method);
- at outlet No. 3 after ash and sludge storage facilities (mechanical and biological treatment, and phytoremediation methods).

In the commissioning of new production facilities, upgrade and reconstruction of the Company's production units, creation of local recycling loops is a must. Cherepovets Steel Mill, being the main production site, currently operates 60 local recycling loops.

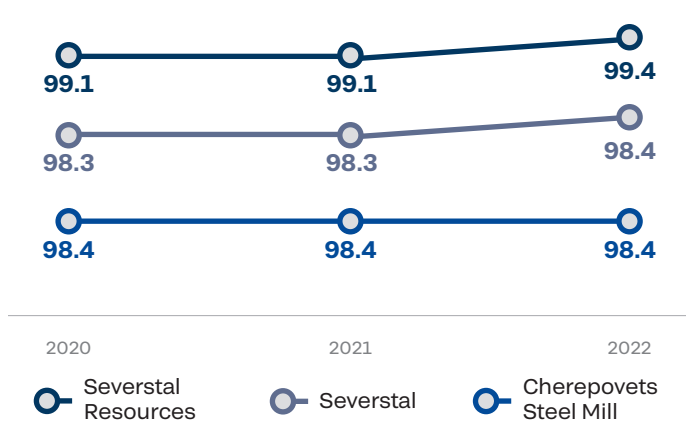
EM-IS-140a.1.



Total amount of reused water, million m³



Water recycling, %



¹ Ammonium ion, nitrites, manganese, copper, nickel, sulphates, fluorides, zinc, oil products, iron.

During 2022, Severstal's enterprises carried out the following key activities to reduce the burden on water resources:

	Activities	Progress in 2022
Cherepovets Steel Mill	Implementation of a set of measures for building a system for final treatment of wastewater discharged into the Koshta River at outlet No. 3 (including local treatment systems division-wide) to comply with the pollutant discharge standards (to be completed before 2026)	→ Construction and installation of a storm sewage treatment plant for coke-agglomeration production completed (will make it possible to reduce annual discharge by 2,195 tonnes)
	Upgrade of pumping station No. 8 with a wastewater treatment plant for flat-rolled production	→ 100% of major process equipment installed
	Retrofitting of the water discharge system for the zinc-containing sludge processing section of sinter plant No. 3	☑ Commissioning completed
	Construction of a recycling-loop fan cooling tower for the oil and emulsion section of flat-rolled production	☑ Commissioning completed
	Launch of the restored cooling tower No. 3 of TPP-EBH ¹ (makes it possible to improve the accuracy of cooling water temperature parameters)	☑ Water recycling performance improved
	Repair and maintenance of two filters at the unbalance water treatment plant of the water supply shop	☑
Otkon	Construction of the 15th Anniversary of October pit wastewater outlet as part of its upgrade	→ Phase 1 completed, design documentation for Phase 2 treatment facilities obtained
	Construction of the Komsomolsky pit wastewater outlet as part of its upgrade	☑
	Construction of a storm sewage system in the support service vehicle repair zone	Project implementation suspended
	Maintaining the operation of phytoremediation system (PRS) of the Kirovogorsky pit	☑

¹ Thermal power plant - electric blowing house.

	Activities	Progress in 2022
Karelsky Okatysh	Tailing pond development project	→ Approval of the state environmental expert authority obtained
	Increasing the PRS ¹ area for wastewater treatment of the Korpanga deposit to reduce nitrous concentration at the outlet to the water body	☑ The area size was doubled (up to 1,000 m ²), concentrations of ammonium ion were reduced by 9%, nitrite ion by 2%, and nitrate ion by 10%
	Integration of the tailing effluent treatment PRS to reduce nitrous concentration at the outlet to the water body	☑ The PRS with the area of 2,000 m ² was integrated, concentrations of ammonium ion were reduced by 55%, nitrite ion by 69%, and nitrate ion by 36%
	Construction of a pilot nitrous pollutant and heavy metal wastewater treatment system for the Korpanga deposit sediment dam as part of R&D efforts (three phases of filtration with sand, iron scrap, and activated carbon, followed by passing the water through a peat trench)	☑ Reduction of nitrates in the water from 40 to 5-10 mg/litre as early as after the first treatment phase
	Construction of wastewater treatment facilities in a truck garage of a car wash	☑
	Preparatory works for building a closed-loop circuit of the new tailings section	→
	Commissioning a continuous wastewater monitoring station ² at the Okunevoye Lake outlet	→ Completion postponed till 2023
OSPAZ	Construction of a recycling-loop system connecting surface wastewater outlets Nos. 2 and 3	→ To be completed in 2026
	Construction of a new water intake hub at the Oka river instead of the one in pre-accident condition	→ To be completed in 2023
Yakovlevskiy Mine	Creation of a pilot PRS section made of artificial floating islands with vegetation	→ Phase 1 completed
	Selection of a robust wastewater (mine drainage) treatment and discharge system	→ Research completed
	Design works for the refurbishment of household wastewater treatment facilities	☑ Design documentation developed

☑ - completed

→ - in progress

¹ The PRS consists of a peat substrate with bog vegetation and phytomodules installed in the main part of the sediment dam. Filtration is performed by vegetation and micro-organisms that absorb nitrogenous compounds from wastewater.

² The maximum discharge flow that wastewater treatment facilities should be able to handle over the reporting period.

Technology for natural biological pit water treatment

Since 2019, a team of scientists and specialists of Yakovlevskiy Mine have been creating a new wastewater phytoremediation system to reduce nitrite and ammonium discharges in addition to the existing conventional wastewater treatment facilities. In 2022, Phase 1 of the pilot PRS section was completed.

Yakovlevskiy Mine installed around 800 artificial floating islands on its own tailings pond with over 10 thousand semi-aquatic plants providing a blueprint for an innovative PRS (four lines of connected phytomats). During the mine development process, mine drainage water is pumped as a single flow to the surface and sent to the tailings pond for treatment. The system also improves the landscape and serves as a habitat for animals. The aggregate project implementation investments exceed RUB 220 million.

2023 and Mid-Term Targets

Severstal sets the following 2023 and mid-term targets in responsible water use:

Cherepovets Steel Mill:

- commissioning at the storm sewage treatment plant of coke-agglomeration production;
- completion of pumping station No. 8 upgrade of flat-rolled production;
- commissioning at the condensate drainage system of blast furnace and coke oven gas pipelines at the TPP-SBH boiler section;
- repair and maintenance of five filters at the final unbalance water treatment plant of the water supply shop;
- continuing with the research on the use of vegetation for final effluent treatment.

Karelsky Okatysh:

- extending PRS area of up to 1,500 m² for Korpanga deposit wastewater treatment and of up to 4,000 m² for tailings pond effluent treatment (with a greater area extension and treatment volume increase by 2027);
- preparatory works and further implementation of design solutions to create a closed-loop circuit of the new tailings storage section to discontinue discharging effluents to the tailings pond;
- commissioning of the continuous wastewater monitoring unit at the Okunevoye Lake;
- testing the pilot system of wastewater treatment of nitrous pollutants and heavy metals at the Korpanga deposit sediment dam.

Yakovlevskiy Mine:

- construction and installation work at the experimental PRS section for treatment of wastewater from metals, nitrous pollutants, oil products;
- expansion of the pilot phyto-island system at the tailings pond;
- pilot testing of the mine drainage water treatment systems.

OSPAZ:

- implementation of the project for the construction of collection and treatment facilities for surface wastewater connecting outlets Nos. 2 and 3, with treated effluents to be reintroduced to the water supply system (to be completed in 2026).

Waste Management

Medium-term goal

To achieve a waste recycling share of

98.5%
by 2030



GRI 306-1 **EM-MM-150a.10**

Severstal acknowledges its responsibility for the environmental wellness and implements measures to provide for sustainable use of natural resources and waste management safety. The Company regularly performs industrial environmental monitoring to comply with applicable environmental laws and manage the waste impact on the environmental components.

Non-hazardous waste (Class V) producing a low adverse impact on the environment accounts for 97.05% of Severstal's total waste generated.

GRI 306-3 **SASB EM-MM-150a.7**

Severstal's waste generation structure by hazard classes, %

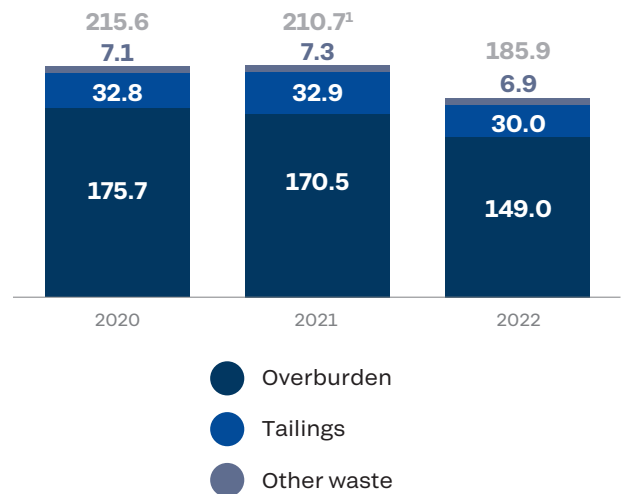
Waste category	2020	2021	2022
Hazardous (I-III)	0.03	0.03	0.04
Low-hazard (IV)	2.41	2.71	2.91
Virtually non-hazardous (V)	97.56	97.26	97.05

GRI 306-3 **MM3** **SASB EM-IS-150a.1**
EM-MM-150a.5 **EM-MM-150a.4**

Severstal Resources division accounts for the prevailing volume of generated waste (96.3% in 2022), which is due to specific features of its production activities, that is open pit mining that generates large amounts of overburden. In 2022, the waste generated by both Severstal divisions decreased by 11.8% year-on-year, amounting to 185.9 million tonnes. This pattern is connected with the overburden generation reduction resulting from Karelsky Okatysh and Olkon operations, and withdrawal of Vorkutaugol from the Company.

Within the Severstal Russian Steel division, the dominating share of generated waste falls upon Cherepovets Steel Mill. These are mainly by-products of metallurgical treatment that are reused as raw materials or processed for the manufacturing of finished products.

Amount of waste generated by Severstal, million tonnes



¹ Values of other waste and tailings for 2021 differ from those previously published due to the updates.

The prevailing share of all waste generated by Cherepovets Steel Mill is attributed to slag, that is 4.32 million tonnes in 2022.

Main types of waste generated by Cherepovets Steel Mill, million tonnes

Type of waste	2020	2021	2022
Slag	4.17	4.50	4.32
Scrap metal	0.80	0.86	0.80
Process waste	0.27	0.29	0.27
Scale	0.33	0.32	0.29
Aspiration and gas cleaning dust	0.23	0.28	0.32
Steelmaking sludge	0.19	0.32	0.29
Cherepovets Steel Mill's main waste	5.99	6.57	6.29

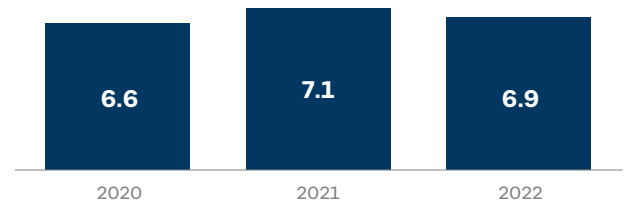
Severstal's enterprises not only recover own production and consumption waste but also accept external companies' waste for recycling, as well as extensively deal with the recovery of previously accumulated waste, and use recyclables and by-products in their technological process.

In 2022, 6.9 million tonnes of waste were recovered, with Severstal's waste disposal decreasing significantly (by 59%) compared to 2021 due to:

- the sale of Vorkutaugol (across Severstal Resources division);
- the changes in waste generation and management at Cherepovets Steel Mill (across Severstal Russian Steel division):
 - decreased investment activities related to the generation of construction waste and reinforced concrete;
 - reduced waste produced during scrap metal recycling;
 - increased recovery of brick and reinforced concrete waste;
 - enlarged use of soil waste as an insulating layer at landfills and in land planning activities.

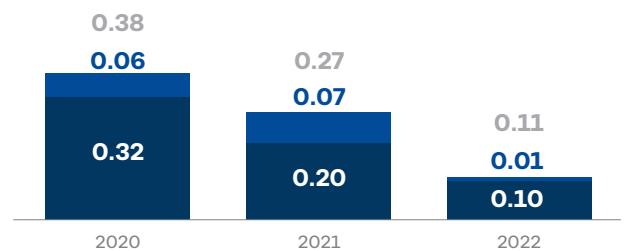
GRI 306-4

Waste recovery, million tonnes



GRI 306-5

Waste disposal, million tonnes¹



- Severstal Russian Steel
- Severstal Resources
- Severstal

GRI 3-3 GRI 301-2 EM-IS-150a.1

In accord with its Sustainability Strategy, Severstal strives to achieve the waste recycling rate of at least 98.5% by the end of 2030. In 2022, the Company's own production and consumption waste recycling rate alone was 99.1% and exceeded the target value due to the recycling of previously accumulated waste. Recycling, inclusive of the external parties' waste, secondary raw materials, and by-products, exceeded 100%.

As required by applicable laws, Severstal complies with the statutory standards for recovery of goods and packaging as follows:

- 100% for metal packaging, tyres and scrap tyres, including the toll processing scheme²;
- 53.2% for polymer and cardboard packaging.

¹ Excluding overburden and tailings.

² Tolling raw materials are the materials accepted by an organisation from the customer for processing (treatment), any other operations or manufacturing of products without paying the cost of accepted materials, against the obligation to return processed (treated) materials, completed operations, and manufactured products in full.

The Company meets the metal packaging recovery standards on its own by utilising the similar goods waste, and in the case of polymer and cardboard packaging, tyres, and scrap tyres – by involving third parties. Non-recovered goods and packaging are subject to ecological dues.

GRI 306-2

Arranging waste collection, accumulation, and segregation at the enterprises

There is an up and running separate waste collection system at Severstal, and the Company’s divisions are extensively involved in this process. For instance, the sorting and recycling of paper previously used for sealing the cars in iron ore transportation were introduced in the charge preparation shop of Cherepovets Steel Mill’s coke-agglomeration plant. A total of about 1,000 tonnes of cardboard, paper, and plastic were sent for recycling in 2022.

Karelsky Okatysh is involved in the construction of sites for collection and accumulation of industrial waste for further recycling. The aggregate investment in arranging the sites amounted to RUB 88 million. In 2022, the enterprise accomplished the construction of a pod for collecting big size tyres, designated to accommodate around 2,000 dump truck scrap tyres.

Severstal pays particular attention to improving the efficiency of the existing sorting and recovery processes at its enterprises. In 2022, Cherepovets Steel Mill organised additional waste segregation prior to landfill disposal, thus preventing more than 580 tonnes of waste from being disposed of.

Severstal’s key measures on recycling various types of waste

Activity	2022 Result
<p>Recycling of zinc-bearing blast furnace slag (to manufacture a clinker for cement production and replace iron-containing additives in use)</p>	34 thousand tonnes recovered in-house and shipped to consumer
<p>Briquetting of zinc-containing waste (to replace scrap metal with briquettes in steelmaking)</p>	2 thousand tonnes of waste recovered
<p>Use of soil from excavation works (as an insulating layer at landfills, in land planning activities)</p>	195 thousand tonnes of soil recovered
<p>Recovery of reinforced concrete waste from dismantling operations by crushing (metal scrap is reused in steel production, and crushed stone is used for backfilling, landscaping, and building temporary access roads or sold out)</p>	42 thousand tonnes of reinforced concrete recovered
<p>Slag processing (scrap is used in production, whereas sand and crushed stone are used in road building or sold out to third parties)</p>	100% of generated slag recycled
<p>Reuse of iron-containing dust, scale, and sludge as raw materials for production</p>	
<p>Recycling of waste oil, rolling mill emulsion, cable waste, office equipment, and chemical waste (tar decanter sludge, acid tar)</p>	
<p>Transfer of waste to third parties in possession of relevant licences for neutralisation and recovery (mercury-containing waste, chrome bath sludge, oil sludge, spent accumulators or other batteries that cannot be recovered in-house)</p>	11.7 thousand tonnes of waste transferred

Encompassing new technologies

In 2022, Cherepovets Steel Mill was extensively involved in developing and mastering the following technologies of involving own waste in production for turning it into marketable products:

- Technology for producing iron flux (a high-base sinter) consisting of 100% of metallurgical waste (slag mixture, scale, grindstone and aspiration dust), was mastered. This made it possible to involve 100% of iron-containing waste in production and significantly reduce its accumulation. In 2022, 197,000 tonnes of waste were used for iron flux production.
- Technology for separating new scrap from waste rock used in steelmaking was mastered (will make it possible to return 2,000 tonnes of scrap per year back to production).
- Technology for adding coke dust to the charge with a minimum impact on qualitative features of finished coke was mastered. In 2022, 34.4 thousand tonnes of coke dust were recovered.
- An engineering solution for scale cleaning from oil products was developed (this technology is absolutely waste-free and is expected to clean up to 40 thousand tonnes of scale and recover up to 6 thousand tonnes of marketable oil).
- A hard zinc smelter to recover pure zinc from production waste was built.

Severstal continuously conducts a search for technologies to recover new types of waste resulting from the commissioning of new production facilities, equipment, and units. For example, to improve the quality of hot-rolled pickled steel with annealing at the hydrochloric acid regeneration section, in 2022, Cherepovets Steel Mill installed a unit for cleaning the hutch water from copper with obtaining a by-product – ammonia water that may later on be used to neutralise acid tar in coke making.

Agreement on setting up an integrated solid municipal waste management system in the Vologda Region

In 2022, Severstal signed an agreement with the Russian Environmental Operator and the Vologda Region Government to set up an integrated system for managing solid municipal waste (SMW) in the region.

The goal is to reduce the amount of accumulated waste sent to landfills. The Agreement contributes to performing the targets of the Integrated System for SMW Management federal project covered by the Ecology national project.

The primary avenues for cooperation under the agreement are as follows:

- conducting experiments to replace natural fossil fuels used for metals practice at Cherepovets Steel Mill with an alternative SMW fuel;
- use of high-speed low-temperature pyrolysis in the thermal waste breakdown technology with generating commercial products.

In 2023, the option of technology deployment and related economic and environmental effects are expected to be assessed and considered.

Campaigns for recyclable collection

In 2022, Karelsky Okatysh together with its partners, including Sobirator, representatives of the Kostomuksha Nature Reserve, and the Kalevalsky National Park, organised a recycling campaign to prevent littering in Kostomuksha and the forest reserve.

The campaign delivered the collection and recycling of:

- > **9 m³** of waste paper, PET bottles, household and office equipment
- > **1,1 tonnes** of recyclables (glass, plastic, markers, pens, receipts, etc.)
- > **200 units** of scrap tyres

Beyond that, Karelsky Okatysh together with the Kostomuksha State Polytechnic College students held a clean-up day that made it possible to collect about 1.7 tonnes of municipal waste.

Throughout 2022, Severstal's enterprises were also involved in delivering the following scheduled projects:

	Activities	Progress in 2022
Cherepovets Steel Mill	Transfer of PCB-containing capacitors and transformers to a specialised treatment organisation	→ To be completed in 2025
	Construction of a new industrial landfill	→ First stage of external power supply for the landfill completed
	Upgrade of the equipment for processing the cutting compounds in the oil-emulsion section of the flat product plant (would reduce the annual waste disposal by 2.5 thousand tonnes)	→ Hydrocyclone installation completed
	FEED for decommissioning of the oil sludge and chemical waste storage facilities and consequent land rehabilitation	☑ Technologies of cleaning and recovery storage facility content explored, environmental impact assessment performed
Karelsky Okatysh	Outfitting of a hard surface pod for collecting big size tyres	☑
	Installation of containers for separate cumulation of plastic bottles, waste paper	☑ 44 containers installed
OSPAZ	Replacement of mercury bulbs with LED bulbs to reduce the amount of Class 1 hazardous waste (2019–2023)	→ 2,000 bulbs replaced since the project start

☑ - completed

→ - in progress

Safe Operation of Tailings and Sludge Storage Facilities

GRI 3-3 EM-MM-540a.2

Severstal pays primary attention to the safe operation of own tailing and sludge storage facilities. The Company operates two tailings storage facilities at Olcon and Karelsky Okatysh enterprises, and ash and sludge storage facilities at Cherepovets Steel Mill¹.

The Company ensures strict observance of statutory requirements to the safe operation of tailings facilities. No hazardous incidents related to inappropriate tailings management have been recorded over the entire period of their operation, including the reporting year.

Key document for the safe operation of tailings and sludge storage facilities

- [Corporate Safety Guide for Hydro Facilities²](#) (including tailings and sludge storage facilities) sets forth the key areas of environmental activities in operating the hydro facilities, core principles of hydro facility safety, and obligations of responsible parties in terms of their performance.

¹ Except for the non-utilisable waste storage facility at Vorkutaugol due to its withdrawal from the Company in 2022.

² The document is only available in Russian.

Each enterprise has its own procedure in place to monitor the tailings facilities, with reports to be annually submitted to government authorities. Severstal provides for the following multi-level monitoring of its hydro facilities:

- daily internal monitoring by the operation service;
- inspections by state supervisors (twice a year);
- annual geodetic control by Severstal's specialists.

In 2022, two commissioned inspections of the Karelsky Okatysh hydro facilities were carried out, jointly with independent hydro facility experts likewise. Based on the inspection results, the overall condition of the hydro facilities was found to be satisfactory, and their technical condition operable.

The Company elaborated respective measures to prevent, confine, and eliminate the consequences of accidents at its hydro facilities. With that, Severstal performs assessment of the impact of such consequences on local communities, ecosystems, and community facilities. Therefore, it can be stated that not a single settlement falls within the area of potential flooding on account of potential accidents at Severstal's hydro facilities.

2023 and Mid-Term Targets

Severstal's enterprises intend to continue implementing the programme to substitute sovtol-containing equipment. The 2023 investment programme includes 23 related projects. The Company's work on arranging the waste accumulation sites as per the sanitary laws will continue as well.

Cherepovets Steel Mill:

- continuing with the construction of a new industrial landfill;
- completing the upgrade of equipment for the processing of cutting compounds in the oil-emulsion section;
- continuing with the recovery of blast furnace slag, soil waste, and reinforced concrete recycling;
- recycling of previously accumulated oil sludge waste;
- continuing with the decommissioning of the oil sludge storage facility and the chemical waste storage facility and consequent land rehabilitation.

Karelsky Okatysh:

- acquisition of containers for separate collection of plastic bottles;
- purchase of truck scales and a hangar for the industrial waste management site;
- conducting an environmental campaign and a clean-up day for urban residents.

Olcon:

- arrangement of separate collection of oil-containing waste across all structural units.

GRI 3-3 EM-MM-160a.1.

Biodiversity conservation is an integral part of Severstal's activities in the regions of its presence. On a regular basis, the Company implements measures aimed at minimising the impacts of its production activities on biological resources.

In its biodiversity conservation activities, Severstal is guided by

- Federal Law dated 10 January 2002 No. 7-FZ on Environmental Protection
- Federal Law dated 24 April 1995 No. 52-FZ on Fauna
- Federal Law dated 17 February 1995 No. 16-FZ on Ratification of the Convention on Biological Diversity
- IPIECA's Biodiversity Conservation and Sustainable Management of Living Natural Resources Guidance
- Corporate Monitoring and Conservation of Biodiversity standard based on the prevent → mitigate → offset → restore principle

Severstal's corporate Monitoring and Conservation of Biodiversity standard:



Is developed to manage the risks of potential biodiversity changes arising from the Company's production activities

Is aimed at mitigating the negative impacts on biodiversity to the level as low as is practically reasonable (ALARP)

Establishes the procedure for programme development and biodiversity conservation and monitoring activities management in the Company's regions of presence

At early stages of project development and implementation, Severstal performs biodiversity assessment of the adjacent areas. The Company's biodiversity monitoring and conservation measures implemented in the regions of presence cover:

- collaboration with academic communities and specially protected natural areas (SPNAs);
- biodiversity monitoring within the boundaries of production sites and adjacent areas;
- development of action plans for biodiversity monitoring and management.

GRI 304-1

Severstal does not operate in or near SPNAs, at UNESCO World Natural Heritage sites or on wetlands covered by the Ramsar Convention, which is apparently illustrated on an [interactive map](#) elaborated by the Company¹.

Responsibility for observing the above requirement is stipulated by the Corporate standard as follows:

Persons in charge	Requirements
Heads of business units	Abstain from operating in the areas of natural and cultural world heritage sites
	Abstain from participating in joint ventures if they operate in the areas of natural and cultural world heritage sites

¹ The map is only available in Russian.

In biodiversity monitoring and assessment, Severstal maintains cooperation with the following entities:

<p>Darwin State Natural Biosphere Reserve</p>	<ul style="list-style-type: none"> ▪ Support of scientific and environmental studies of rare species of birds of prey within Northwestern Russia ▪ Implementation of conservation measures to increase the osprey population within the reserve area and in the environs of Cherepovets ▪ Development of ecotourism within the reserve area
<p>Papanin Institute of the Biology of Inland Waters</p>	<ul style="list-style-type: none"> ▪ Identification of natural and man-made biological trends ▪ Identification of ecosystem changes ▪ Assessment of the efficiency of water protection measures aimed at biodiversity conservation
<p>Kostomuksha State Natural Reserve</p>	<ul style="list-style-type: none"> ▪ Biodiversity research within the area of the Company's potential impact ▪ Preservation of the region's natural and cultural heritage ▪ Development and implementation of business plans for the biosphere reserve
<p>Cherepovets State University (Department of Biology)</p>	<ul style="list-style-type: none"> ▪ Dendrological studies of plantings within the Cherepovets Steel Mill production site and on the boundary of its sanitary protection zone ▪ Determination of the accumulating capacity of the plants growing in the Cherepovets Steel Mill production area and on the boundary of its sanitary protection zone

Cooperation with Darwin State Natural Biosphere Reserve

In 2022, Severstal continued its cooperation with Darwin State Natural Biosphere Reserve in studying and preserving the populations of rare birds and individual mammal species as part of the Business and Biodiversity initiative of the Conservation of Biodiversity and Development of Ecotourism federal project under the Environment national project.

- **Studies of near-water birds and birds of prey.** Subsequent to the results of joint work, the field studies of rare and scarce species of near-water birds and birds of prey were continued in 2022. Great white and grey herons, swans, white-tailed eagles, spotted eagle were identified as flagship species. In the area and in the immediate vicinity of Cherepovets Steel Mill's ash and slag storage facilities, 129 bird species representing 15 orders and 39 families, including 75 species nesting on ash and slag storage facilities, were recorded. In 2022, the presence of 20 bird species on the Vologda Region Red List at Cherepovets Steel Mill's production site was proved; nesting for six of them

was confirmed. On top of that, eight species on the Russian Red List (black-throated diver, horned grebe, greylag goose, Bewick's swan, osprey, spotted eagle, white-tailed eagle, oystercatcher) were noted on ash and slag storage facilities. Most species were found to be attracted by the disturbance factor absence, abundance of food and places convenient for nesting and resting, which evidences an important role of the ash and slag storage area in conserving the gene pool of many species in the region.

- **Conservation of the white heron colony.** To conserve the unique colony that happens to be the first proven case of the most northern white heron nesting site, 23 heron chicks were ringed in 11 heron nests in 2022. Throughout the project, a total of 117 chicks have already been ringed. Birds born in the area of ash and slag storage facilities were proven to return to their colony on the production site. Due to the specific terrain and subject to weather conditions, some nests in the colony are exposed to destruction. In 2023, the Company will focus its efforts on restoring the destroyed nests.

- **Studies of individual mammal species.** In 2022, zoologists set about studying individual mammal species, focusing on a group of bats within the Cherepovets Steel Mill boundaries and adjacent areas. Until now, there has been almost no information about the habitation of wing-handed animals in the Vologda region, although their role in the functioning of ecosystems is crucial. Bats are notable for their vulnerability to man-made impacts, thus being the indicators for assessing the changes in the territories' environmental profile.

The studies prove the presence of seven species of wing-handed mammals at Cherepovets Steel Mill's production site and in its environs, including: northern bat, Brandt's bat, pond bat, water bat, noctule bat, Nathusius' pipistrelle, parti-coloured bat. Special attention should be paid to the pond bat noted in the Cherepovets Steel Mill area and entered on the Red List of Threatened Species of the International Union for Conservation of Nature (IUCN) as a near-threatened species requiring further regular monitoring.

Creation of environmental trail

In 2022, Severstal completed the Chronicle of Nature environmental trail created in the Darwin Natural Reserve with the Company's support to develop ecotourism in the region. The educational circular environmental trail is designated for students and schoolchildren. It covers the main ecosystems of the reserve: one can learn more about the reserve's nature and biodiversity, as well as about the Rybinsk Reservoir's impact on the natural habitat's elements.

Cooperation with the Papanin Institute of the Biology of Inland Waters

Since 2019, Severstal, jointly with the Papanin Institute of the Biology of Inland Waters, has been involved in the research studies of phyto- and zooplankton, macrobenthos, and fish fauna of the Koshta River, including the mill's wastewater discharge point. The Koshta River flows into the Rybinsk Reservoir that has many inlets. According to the 2022 monitoring data, the Koshta's fish species are diverse and common for other inlets of the reservoir, and the condition of phyto- and zooplankton, macrobenthos is deemed satisfactory.

- 12 camera traps installed: the monitoring data on the fauna inhabiting the territory obtained;
- the route census for a total length of over 40 km performed to assess the territory's ornithofauna;
- four mammal species, 19 bird species, one lichen species on the Republic of Karelia Red List recorded (of which one mammal species, four bird species, and one lichen species are on the Russian Red List).

Cooperation with the Kostomuksha State Natural Reserve

In 2021, Karelsky Okatysh commenced its joint work with the Kostomuksha State Natural Reserve on the development of a biodiversity monitoring and conservation programme in the region of its presence in order to assess industrial pollution impacts on ecosystems and elaborate measures and operational guidelines for biodiversity conservation and restoration in the region under research.

Subsequent to the project implementation results in 2022:

In 2022, Severstal won the People Investor corporate project competition in the Environmental Performance category. The Company's joint project with the Kostomuksha State Natural Reserve to monitor and conserve the biodiversity within Severstal's area of presence in the Republic of Karelia (the town of Kostomuksha) scored first place.

Landscaping areas under the Green Shield project

The Green Shield project aimed at the large-scale landscaping of the Cherepovets Steel Mill production site and adjacent areas, including the sanitary protection zone, has been in operation since 2020 as part of Severstal's climate strategy.

Under the project, cooperation with the Cherepovets State University was continued in 2022 as follows:

- a study of the dust-holding capacity of the plants growing in the Cherepovets Steel Mill area was carried out;
- leaf surfaces of white birch, maple ash, balsam poplar were found to possess the best dust holding capacity;
- guidelines for landscaping the sites using plants with the highest dust holding capacity were developed.

Under the Green Shield project, in 2022, the Company planted:

- 860 trees;
- 3,120 ornamental bushes;
- 1,360 perennial plants;
- 18 plants listed in the Vologda Region Red Book (to date, 26 species of those plants are growing on the Cherepovets Steel Mill territory).

Participation in clean-up days and planting of greenery

The Green Spring ecological clean-up day is one of the largest environmental and socially important campaigns. The project has been implemented by the Vernadsky Non-Governmental Environmental Foundation since 2014. In the reporting year, Severstal held two environmental campaigns for planting of greenery as part of the event: 25 seedlings of ornamental trees were planted.

Also, as part of the World Environment Day festivities, Cherepovets Steel Mill's ecologists conducted an Art-Subbotnik and planted an alley to commemorate the 65th anniversary of the environmental service of the enterprise. Over 100 seedlings of shrubs were planted during this campaign.

2023 and Mid-Term Targets

Severstal's 2023 and mid-term targets in biodiversity conservation are as follows:

Cherepovets Steel Mill:

- Jointly with Darwin Natural Reserve:
 - continue monitoring the wing-handed mammals;
 - restore the destructed nests of great white and grey herons;
 - install 15 photo stations to obtain information about the ringed birds within the reserve and its protected area;
 - release an illustrated newsletter – photo album dedicated to the 10-year work on ringing and tagging ospreys and white-tailed eagles with GPS-GSM-trackers;
 - design and create the Osprey – Token of the Darwin Natural Reserve exhibition in the Nature Museum of the reserve's central manor.

- Jointly with the Papanin Institute of the Biology of Inland Waters:
 - continue the research studies of phyto- and zooplankton, macrobenthos, and fish fauna of the Koshta River.

Karelsky Okatysh:

- compile the quantitative and qualitative characteristics of the flora and fauna biodiversity in the area where the enterprise operates;
- assess and monitor biodiversity of water bodies in the zone of influence of wastewater (Okunevoye Lake and Bezymyanny Stream);
- develop and implement the measures aimed at addressing the biodiversity and ecosystem conservation challenges.

OSPAZ:

- implement environmental volunteering projects in the Orlovskoye Polesye National Park territory.

Rehabilitation of Disturbed Lands

Severstal is aware of its responsibility for the quality of the land where it carries out its activities and, therefore, implements a number of measures to restore the soil disturbed by the construction and functioning of the mine fields and other facilities, including those designated for waste disposal. In developing its rehabilitation programme, the Company is governed by the UNDP operational guidelines¹ on the use of phytocenosis restoration

technology and considers the opinion of residents of the adjacent areas.

In 2022, the Company was developing the mine closure policy along with the programme for the rehabilitation of the lands disturbed in the course of production activities of the enterprises. The programme drafting will be continued in 2023.

At year-end, most of the disturbed and non-reclaimed land were used for mining operations.

MM1

Area of disturbed and reclaimed lands, ha

	2018	2019	2020	2021	2022
Area of disturbed lands	12,229	12,292	12,443	12,596	12,844
Area of reclaimed lands²	0 (20)	0 (20)	0 (20)	0 (20)	0 (20)

In 2022, the Cherepovets Steel Mill was involved in the FEED operations for decommissioning of the oil sludge and chemical waste storage facilities, their subsequent removal and land reclamation: various technologies of cleaning and recovery of the storage facilities contents were reviewed, the laboratory tests were conducted, the environmental impacts were assessed.



¹ Collection of operational guidelines on biodiversity conservation and restoration during business operations, prepared as part of the project under the United Nations Development Program.

² Data provided in accordance with statutory statistical reporting requirements. The values in brackets refer to the actually reclaimed plots that have not yet been put on the state land reserve.



About the Report

About the Report and Materiality

GRI 2-3

The Sustainability Report 2022 (hereinafter referred to as the Report) of PAO Severstal (hereinafter referred to as Severstal, or the Company) contains information on the activities of the Company and its subsidiaries located in the territory of Russia from 1 January to 31 December 2022. The Report also covers significant events beyond the reporting period to adhere to the principle of timely reporting.

The Report discloses information on Severstal's mission, business, approach to sustainability

management, responsible supply chain, corporate governance, respect for human rights, HR management, contribution to the development of the regions of presence, high level of occupational health and industrial safety, climate change, energy efficiency, and environmental protection.

Severstal forms its non-financial reporting on an annual basis and publishes sustainability reports on the corporate [website](#). The present Report was published on 15 May 2023.

Approach to the Preparation of the Report

The Report is prepared in accordance with the recommendations of the following non-financial reporting standards and principles of sustainable development:

- Global Reporting Initiative (GRI) (updated as of 2021); GRI Mining and Metals Sector Supplement (area of application - in accordance);
- Sustainability Accounting Standards Board (SASB) standards for Iron & Steel Producers, Metals & Mining;
- Recommendations of the Russian Union of Industrialists and Entrepreneurs (RSPP) on the use of basic performance indicators;
- UN Global Compact principles;
- The GHG Protocol Corporate Accounting and Reporting Standard;
- World Steel Association (WSA) CO₂ Emissions Data Collection User Guide;
- Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

In addition, the Report reflects the Company's contribution to the achievement of the UN Sustainable Development Goals (SDGs), as well as information on the Company's participation in the implementation of the National Projects of the Russian Federation.

GRI 2-14

The Report is prepared by Severstal Corporate Social Responsibility and Brand Department. In order to ensure the accuracy, clarity and reliability of the information included in the Report, the relevant divisions of the Company provide the verified qualitative and quantitative data disclosed in the present Report.

GRI 2-2

Severstal abides by the principles of clarity and comparability so that the Report is comprehensible to a broad reading audience and provides a clear reflection of the Company's progress in any given area. The metrics are disclosed for a period of three to five years, with an explanation of their dynamics (where it is necessary to reflect changes over the period). The Report's balanced nature is achieved through the provision of information not only on the Company's achievements but also on the areas for improvement Severstal is working on.

Where there are any data collection or calculation assumptions or adjustments to any values from previous reporting periods due to the improved methodology or errors eliminated, the Report provides respective explanatory comments.

No material restatements of indicators versus the preceding year were in evidence, unless stated otherwise.

Scope of the Report

GRI 2-2 GRI 3-1

The year 2022 was marked by a significant change in Severstal's asset structure that affected the scope of the present Report. Due to the completion of Vorkutaugol's sale in April 2022, information on the coal assets is not disclosed in the Report, unless otherwise stated for certain indicators (for example, information for Q1 2022 may be included). Sintez-CIP Ltd, OOO Linde Severstal, and AO Neva-Metal withdrew from the Company in 2022 as well.

Severstal aims to make sure that the scope of the Sustainability Report fully matches the scope of its

consolidated financial statements prepared under IFRS. Currently, certain material topics are disclosed in relation to the assets whose impact is most significant in the context of the relevant topic.

The Company works towards improving its approaches to setting up a system of data collection and consolidation for future single-scope disclosures. Changes in the scope and extent of certain disclosures, including versus prior reporting periods, appear directly in the text of the Report or in footnotes.

Scope of material topic disclosures

	PAO Severstal	Izhora Pipe Mill	AO Severstal SMC-Vsevolozhsk	AO Severstal Distribution	OOO Severstal Vtorchermet	Aircompany Severstal Ltd	AO Severstal Steel Solutions	AO Vologdametaloptorg	JSC Severstal-Metiz	OOO OSPAZ	AO Severstal Kanaty	OOO UniFence	OOO UniSpring	AO Vorkutaugol ¹	AO Olcon	AO Karelsky Okatysh	Yakovlevskiy Mine
Air emissions	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Occupational health and safety	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Waste management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Water consumption and impact on water resources	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Labour practices and ensuring decent working conditions	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Business ethics and anti-corruption	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Responsible supply chain	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Climate change and energy efficiency	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Impact on land resources and biodiversity	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Human capital development	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Participation in the development of the regions of presence	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Observance and protection of human rights	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

¹ For Q1 2022.

Identification of Material Topics

GRI 3-1 GRI 3-2

Severstal interacts with all stakeholder groups and places a strong focus on their interests while carrying out its activities, including the process of determining the material topics of the Sustainability Report.

The Company commonly performs a survey among its stakeholders to identify material topics of the utmost importance for any of their groups. The 2022 Report was no exception, however certain adjustments were introduced to the process of identifying the material topics to reflect recommendations of the updated GRI standards. The key difference was the assessment of Severstal's positive and negative impacts in the context of sustainability within topics.

The list of topics was based on the previous report's topics identified by stakeholders as most material.

As part of the analysis, the Company additionally benchmarked the reports of industry peers and ESG leaders and considered the topics subject to disclosure under the SASB standards. Given the limitations on certain disclosures, Severstal removed

the following topics from the preliminary list at this stage: Economic Performance, Taxes and Statutory Payments.

In the next step, the Company's potential or actual impacts were identified for each topic, factoring in both positive and negative impacts for balance reasons. In determining such impacts, account was taken of Severstal's long-standing non-financial reporting practices, GRI industry standards, and reporting of comparable companies. The obtained list of impacts served the basis for compiling a stakeholder survey questionnaire, and respondents were offered the opportunity to indicate additional topics or questions within each aspect (see [Appendix 7](#)).

In 2022, 65 stakeholder representatives took part in the survey, including 21 Severstal employees and 44 representatives of external stakeholder groups. There were experts among survey respondents for each topic¹.

Respondents by stakeholder groups



GRI 3-2

Further to surveying the respondents and assessing each impact, the respective topics were scored by summing up the averages for positive and negative impacts within the topics. All 12 topics were then ranked and nested within three priority groups. Nine topics included in Priorities 1 and 2 are regarded as most significant.

Priority 3 topics are important for Severstal and significance in view of the social agenda gaining momentum, for which reason they are also disclosed in relevant sections.

¹ Respondents attributed themselves to the expert community on their own.


List of material topics and impacts

Topic	Potential or actual impact
Priority 1	
Air pollution	<ul style="list-style-type: none"> ▪ Deterioration of air quality in the regions of presence due to emissions generated by production units ▪ Upgrade of production facilities, development of emissions reduction and capture programmes
Occupational health and safety	<ul style="list-style-type: none"> ▪ Work-related injuries, fatalities ▪ Occupational diseases, adverse working conditions ▪ Ensuring safe working conditions and industrial safety for employees and contractors, injury prevention measures ▪ Occupational health and safety training and awareness-raising ▪ Healthcare for employees and their families
Waste management	<ul style="list-style-type: none"> ▪ Generation of waste, including hazardous and non-recyclable waste ▪ Accidents at waste disposal facilities ▪ Waste reuse, including for infrastructure improvement
Water consumption and impact on water resources	<ul style="list-style-type: none"> ▪ Wastewater discharges and pollution of natural water bodies ▪ Water reuse, integration of cutting-edge wastewater treatment technologies ▪ Participation in sustainable water use initiatives
Labour practices and ensuring decent working conditions	<ul style="list-style-type: none"> ▪ Non-compliance with environmental laws and regulations ▪ Inadequate welfare at work ▪ Creating jobs and employing young professionals ▪ Ensuring decent working conditions, efficient remuneration system ▪ Social programmes, compensations and benefits for employees and their families
Priority 2	
Business ethics and anti-corruption	<ul style="list-style-type: none"> ▪ Violation of business ethics principles and legislative requirements ▪ Countering corruption, monitoring compliance with anti-corruption laws ▪ Local sourcing, SME support
Responsible supply chain	<ul style="list-style-type: none"> ▪ Supply chain disruptions, failure to meet counterparty requirements, unsafe produce ▪ Encouraging sustainable business conduct approaches, counterparty due diligence ▪ Enhancement of feedback mechanisms
Climate change and energy efficiency	<ul style="list-style-type: none"> ▪ High energy consumption, energy intensity of products ▪ GHG emissions and impacts on accelerated climate change ▪ Release of low-carbon products, reduced supply chain emissions ▪ Use of renewable energy ▪ Implementation of GHG reduction programmes, decarbonisation innovations ▪ Climate agenda promotion
Impact on land resources and biodiversity	<ul style="list-style-type: none"> ▪ Land disturbance, deforestation ▪ Reduction of biodiversity due to air, soil, and water body pollution during the production process ▪ Biodiversity conservation programmes, partnerships ▪ Landscaping

Topic	Potential or actual impact
Priority 3	
Human capital development	<ul style="list-style-type: none"> ▪ Lack of training, professional, and career enhancement opportunities for staff ▪ Lack of an advanced corporate culture, poor employee engagement ▪ Personnel training, promotion of professional development, and skills upgrading ▪ Educational, cultural, and sports projects for employees and their families
Contribution to the development of the regions of presence	<ul style="list-style-type: none"> ▪ Default under external social and economic agreements with the regions ▪ Lack of socially important projects in the regions of presence ▪ Contribution to regional infrastructure development, support for culture, education, healthcare, sports, and SMEs ▪ Projects to uphold indigenous minorities, their culture and traditions
Respect and protection of human rights	<ul style="list-style-type: none"> ▪ Incidents of employee discrimination by gender, age, and other factors ▪ Incidents of using forced, compulsory, and child labour ▪ Monitoring compliance with ethical standards and rules of conduct ▪ Non-infringement of rights of employees and local communities ▪ Maintaining gender equality within the Company, development of a programme to support women

External Assurance

GRI 2-5

A number of key quantitative data is additionally verified as part of external assurance to make sure the Report contains accurate and reliable data only (such indicators are marked with a special symbol – .

This approach of the Company and the external assurance timetable are stipulated by the Audit and Assurance Policy of PAO Severstal.

The audit assurance opinion is presented in [Appendix 5](#).

To improve the quality of non-financial disclosures, the Company interacts with the Council on Non-Financial Reporting of the Russian Union of Industrialists and Entrepreneurs and submits to the Sustainability Report for independent public assurance. The Council gives an opinion on the significance and completeness of the information disclosed in the Report in accordance with the principles of responsible business practice as set forth in the Social Charter of Russian Business.

The public assurance opinion is presented in [Appendix 6](#).

Appendices

Appendix 1. GRI Index

Index of Standard Disclosures in this Report with Reconciliation to GRI Standards, [RSPP Key Performance Indicators](#)¹ and ISO 26000 Guidelines.

	GRI indicator	Page/comment
GRI 2 (2021) General Disclosures		
Organisation and its reporting practices		
2-1	Organisational profile	Pages 8, 9, 190
2-2	Entities included in the organisation's sustainability reporting	Pages 160, 161 Changes in the scope of disclosures compared to previous reporting periods are contained in footnotes
2-3	Reporting period, frequency and contact point	Pages 160, 190
2-4	Restatements of information	Information regarding restatements to indicators for previous periods published earlier is presented in footnotes throughout the Report
2-5	External independent assurance	Page 164
Activities and workers		
2-6	Activities, value chain and other business relationships	Pages 8, 9, 11
2-7	Staff employees	Pages 8, 69 RSPP 3.1.1 RSPP 3.1.4 ISO 26000 Labour practices
2-8	Non-staff employees	Information about the workers who are not employees is not disclosed, as such data are not collected
Governance		
2-9	Governance structure and composition	Pages 43, 44 ISO 26000 Organisational Governance
2-10	Nominating and selecting the highest governance body	Page 44 RSPP 3.1.12
2-11	Chair of the highest governance body	Page 44
2-12	Role of the highest governance body in ensuring the impact management control	Pages 26, 44, 50
2-13	Delegating the responsibility for impacts management	Pages 18, 44
2-14	Role of the highest governance body in adopting the sustainability reporting	Page 160
2-15	Conflicts of interest	Page 46

¹ This document is only available in Russian.

	GRI indicator	Page/comment
2-16	Communicating the critical concerns	Information is not subject to disclosure as it is sensitive for the Company and may lead to additional risks (due to current geopolitical situation)
2-17	Collective knowledge of the highest governance body	Briefing notes on economic, environmental, and social agenda for the Company's management are in progress at regular intervals
2-18	Evaluation of performance of the highest governance body	Page 44 ISO 26000 Organisational Governance
2-19	Remuneration policies	Page 45
2-20	Process for determining remuneration	Page 45
2-21	Annual total compensation ratio	Information is not subject to disclosure as it is sensitive for the Company and may lead to additional risks (due to current geopolitical situation)
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	Page 4
2-23	Policy commitments	Pages 46, 47
2-24	Embedding policy commitments	Page 31
2-25	Processes to remediate negative impacts	Page 48
2-26	Mechanisms for seeking advice and raising concerns	Page 48, 49
2-27	Compliance with laws and regulations	Page 134
2-28	Membership in associations	Pages 24, 26
Stakeholder engagement		ISO 26000 Fair Business Practices
2-29	Approach to stakeholder engagement	Page 26
2-30	Collective bargaining agreements	Page 26
GRI 3 (2021) Material Topics		
3-1	Process to determine material topics	Pages 161, 162
3-2	List of material topics	Page 162
3-3	Management of material topics	Pages 52, 61, 67, 115, 131, 136, 140, 148, 151, 153
GRI 200 Economic Disclosures		
GRI 201 (2016) Economic Performance		
201-1	Direct economic value generated and distributed	Information is not subject to disclosure as it is sensitive for the Company and may lead to additional risks (due to current geopolitical situation)
201-2	Financial implications and other risks and opportunities due to climate change	Page 119
201-3	Defined benefit plan obligations and other retirement plans	Page 82

	GRI indicator	Page/comment
GRI 202 (2016)	Market Presence	ISO 26000 Responsible Labour Practices
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Pages 74, 76
202-2	Proportion of senior management hired from the local community	Page 69 For this purpose, senior management shall be understood as CEO, his/her delegates, and directors of production units, whereas the local community stands for citizens of the Russian Federation
GRI 203 (2016)	Indirect Economic Impacts	ISO 26000 Community Involvement and Development
203-1	Infrastructure investments and services supported	Page 93
203-2	Significant indirect economic impacts	Information is not subject to disclosure as it is sensitive for the Company and may lead it to additional risks (due to current geopolitical situation)
MM8	Number (and percentage) of Company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and actions taken to manage and mitigate these risks	Artisanal or small-scale mining is not carried out
GRI 204 (2016)	Procurement Practices	ISO 26000 Fair Business Practices
204-1	Proportion of spending on local suppliers	Page 35
GRI 205 (2016)	Anti-corruption	ISO 26000 Fair Business Practices
205-1	Number of units that have been assessed for risk of corruption	All employees and business partners are aware of the anti-corruption policy
205-2	Communication about anti-corruption policies and procedures, and related training	Page 48
205-3	Confirmed incidents of corruption and actions taken	Page 49
GRI 206 (2016)	Anti-Competitive Behaviour	ISO 26000 Fair Business Practices
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None
GRI 207 (2019)	Tax	
207-1	Approach to taxation	Information is not subject to disclosure as it is sensitive for the Company and may lead it to additional risks (due to current geopolitical situation)
207-2	Tax governance, control, and risk management	
207-3	Stakeholder engagement and management of concerns related to tax, including the approach to tax authority relations and the support for the state tax policy	
207-4	Reporting of tax and other related financial information (in terms of tax jurisdictions)	

	GRI indicator	Page/comment
GRI 300 Environmental Disclosures		
GRI 301 (2016) Materials		
301-1	Materials used by weight or volume	Information is not disclosed as such data are not collected
301-2	Recycled input materials used	Page 148 RSPP 2.1
301-3	Reclaimed products and their packaging materials	Information is not disclosed as such data are not collected
GRI 302 (2016) Energy		
302-1	Energy consumption within the organisation	Page 127 RSPP 2.2
302-2	Energy consumption outside of the organisation	Energy consumption outside of the organisation is not measured due to the large number of contractors
302-3	Energy intensity	Page 129
302-4	Reduction of energy consumption	Page 127 RSPP 2.2.2
302-5	Reduction in energy requirements of products and services	Not applicable
GRI 303 (2018) Water and Effluents		
303-1	Interactions with water as a shared resource	Page 140
303-2	Management of water discharge related impacts	Page 140
303-3	Water withdrawal	Page 141
303-4	Water discharge	Pages 141, 142
303-5	Water consumption	Page 141
GRI 304 (2016) Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Page 153 The Company's enterprises do not operate in environmentally sensitive areas, including protected areas, Ramsarsky Grounds, and World Natural Heritage sites. The territory of Karelsky Okatysh Mill is adjacent to Kostomuksha Natural Reserve.
304-2	Significant impacts of activities, products and services on biodiversity	Page 154
304-3	Habitats protected or restored	Page 154
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Page 154
MM1	Amount of land (owned or leased) managed for production activities, disturbed or rehabilitated	Page 157

	GRI indicator	Page/comment
MM2	The number and percentage) of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place	The site owned by AO Severstal Distribution and located in Cherepovets District (Dmitrovsky rural council, Vas'kovo hamlet, Motomskoye forestry) is identified as a protected area. Permitted use of land: hunting grounds. No production activities are carried out
GRI 305 (2016)	Emissions	ISO 26000 Environmental Protection
305-1	Direct (Scope 1) GHG emissions	Pages 124, 178
305-2	Energy indirect (Scope 2) GHG emissions	Pages 124, 178
305-3	Other indirect (Scope 3) GHG emissions	Pages 125, 178
305-4	GHG emissions intensity	Page 126
305-5	Reduction of GHG emissions	Page 122
305-6	Emissions of ozone-depleting substances (ODS)	The Company does not produce, emit or use ozone-depleting substances in its manufacturing processes, except for the use as a reagent in chemical laboratory analyses in extremely limited quantities and for refuelling the compressor equipment, air conditioning and fire extinguishing systems
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Page 137 RSPP 2.6
GRI 306 (2020)	Waste	ISO 26000 Environmental Protection
306-1	Waste generation and significant waste-related impacts	Page 147
306-2	Management of significant waste-related impacts	Page 149 RSPP 2.8
306-3	Waste generated	Page 147 RSPP 2.9
306-4	Waste diverted from disposal	Page 148
306-5	Waste directed to disposal	Page 148
MM3	Total amounts of overburden, rock, tailings and sludges, and associated risks	Page 147
GRI 308 (2020)	Supplier Environmental Assessment	ISO 26000 Environmental Protection, Responsible Labour Practices
308-1	New suppliers that were screened using environmental criteria	Page 32
308-2	Negative environmental impacts in the supply chain and actions taken	Page 32

	GRI indicator	Page/comment
GRI 400	Social Disclosures	ISO 26000 Responsible Labour Practices
GRI 401 (2016)	Employment	
401-1	New employee hires and employee turnover	Page 69 RSPP 3.1.2, 3.1.3
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pages 71, 80, 82
401-3	Parental leave	Page 82
GRI 402 (2016)	Labour/Management Relations	
402-1	Minimum notice periods regarding operational changes	Page 62
GRI 403 (2018)	Occupational Health and Safety	
403-1	Occupational health and safety management system	Page 101
403-2	Hazard identification, risk assessment, and incident investigation	Page 107
403-3	Occupational health services	Page 104
403-4	Worker participation, consultation, and communication on occupational health and safety	Pages 104, 106, 108
403-5	Worker training on occupational health and safety	Page 105
403-6	Promotion of worker health	Page 81
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Page 110
403-8	Number and percentage of employees and other workers covered by an occupational health and safety management system	Page 101
403-9	Work-related injuries	Page 108 RSPP 3.1.5
403-10	Work-related ill health	Page 109 RSPP 3.1.7
GRI 404 (2016)	Training and Education	
404-1	Average hours of training per year per employee	Pages 77, 79 RSPP 3.1.10
404-2	Upgrading employee skills and transition assistance programmes	Pages 77, 79, 80
404-3	Percentage of employees subject to regular performance and career development reviews	Page 76
GRI 405 (2016)	Diversity and Equal Opportunity	ISO 26000 Responsible Labour Practices, Human Rights
405-1	Diversity of governance bodies and employees	Pages 64, 70
405-2	Ratio of basic salary and remuneration of women to men	Pages 64, 74, 76
GRI 406 (2016)	Non-discrimination	ISO 26000 Human Rights
406-1	Non-discrimination	Page 64
GRI 407 (2016)	Freedom of Association and Collective Bargaining	ISO 26000 Responsible Labour Practices, Human Rights
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Pages 62, 81 RSPP 3.1.2
MM4	Number of strikes and lock-outs exceeding one week's duration, by country	None

	GRI indicator	Page/comment
GRI 408 (2016)	Child Labour	ISO 26000 Human Rights
408-1	Operations and suppliers at significant risk for incidents of child labour	Pages 32, 62
GRI 409 (2016)	Forced or Compulsory Labour	ISO 26000 Human Rights
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Pages 62, 64
GRI 410 (2016)	Security Practices	ISO 26000 Human Rights
410-1	Security personnel trained in human rights policies or procedures	Page 62
GRI 411 (2016)	Rights of Indigenous Peoples	ISO 26000 Human Rights
411-1	Incidents of violations involving rights of indigenous peoples	None RSPP 3.2.3 Pages 64, 90
MM5	Total number of operations taking place in or adjacent to indigenous peoples' territories, and number and percentage of operations or sites where there are formal agreements with indigenous peoples' communities	Pages 64, 90
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples	None
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the outcomes	None
GRI 413 (2016)	Local Communities	ISO 26000 Community Involvement and Development
413-1	Operations with local community engagement, impact assessments, and development programmes	Pages 89, 93 RSPP 3.3.3
413-2	Operations with significant actual and potential negative impacts on local communities	None RSPP 3.3.3
MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process	None
MM10	Number and percentage of operations with closure plans	No closure scheduled
GRI 414 (2016)	Supplier Social Assessment	ISO 26000 Fair Business Practices
414-1	New suppliers that were screened using social criteria	Pages 32, 110
414-2	Negative social impacts in the supply chain and actions taken	Page 20
GRI 415 (2016)	Public Policy	ISO 26000 Fair Business Practices
415-1	Political contributions	None

	GRI indicator	Page/comment
GRI 416 (2016)	Customer Health and Safety	ISO 26000 Consumer Issues
416-1	Assessment of the health and safety impacts of product and service categories	Not applicable. The Company's products and services themselves do not have any negative health or safety effects
416-2	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services	Not applicable. There were no incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services
GRI 417 (2016)	Marketing and Labelling	ISO 26000 Consumer Issues
417-1	Requirements for product and service information and labelling	Page 55
417-2	Incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling	No incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling
417-3	Incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications	No incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications
GRI 418 (2016)	Customer Privacy	
418-1	Total number of substantiated complaints received concerning breaches of customer privacy and losses of customer data	Not applicable. No complaints received concerning breaches of customer privacy and losses of customer data

Appendix 2. SASB Correspondence Table

Topic	Indicator	Code	Page/Comment
Greenhouse Gas Emissions	(1) Gross global Scope 1 emissions (2) Percentage covered under emissions limiting regulations	EM-IS-110a.1 EM-MM-110a.1	Pages 124, 178 To date, no GHG emission-limiting regulations are in effect in Russia
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	EM-IS-110a.2 EM-MM-110a.2	Page 115 Climate Report
Air Emissions	Air emissions of the following pollutants: (1) carbon oxide (CO) (2) NOx (excluding N ₂ O) (3) sulphur oxides (SOx) (4) particulate matter (PM10) (5) manganese oxide (MnO) (6) lead (Pb) (7) volatile organic compounds (VOC) (8) polycyclic aromatic hydrocarbons (PAH)	EM-IS-120a.1	Page 136 Emissions of (5), (6) and (8) are not disclosed due to negligible volumes
Air Quality	Air emissions of the following pollutants: (1) carbon oxide (CO) (2) nitrogen oxides (NOx), excluding N ₂ O (3) sulphur oxides (SOx) (4) particulate matter (PM10) (5) mercury (Hg) (6) lead (Pb) (7) volatile organic compounds (VOC)	EM-MM-120a.1	Page 136 Emissions of (5) and (6) are not disclosed due to negligible volumes
Energy Management	(1) Total energy consumed	EM-IS-130a.1 EM-MM-130a.1	Page 128
	(2) Percentage grid electricity		
	(3) Percentage renewable		
	(1) Total fuel consumed (2) Percentage carbon (3) Percentage natural gas (4) Percentage renewable fuel	EM-IS-130a.2	Page 128

Topic	Indicator	Code	Page/Comment
Water Management	(1) Total fresh water withdrawn (2) EM-IS-140a.1: Percentage closed cycle water (3) Percentage (EM-IS-140a.1) / amount (EM-MM-140a.1) of water consumed in regions with high or extremely high baseline water stress	EM-IS-140a.1 EM-MM-140a.1	Pages 141, 143 Severstal's core enterprises are located in the regions without high baseline water stress
	Number of incidents of non-compliance associated with water quality and water use permits, standards, and regulations	EM-MM-140a.2	In 2022, the Company recorded no significant breaches of water protection regulations
Waste & Hazardous Materials Management	(1) Total waste produced (2) Percentage hazardous waste (3) Percentage recycled waste	EM-IS-150a.1	Pages 147, 148
	Total weight of non-mineral waste generated	EM-MM-150a.4	Page 147
	Total weight of tailings produced	EM-MM-150a.5	Page 147
	Total weight of waste rock generated	EM-MM-150a.6	Only the amount of overburden is disclosed (149.0 million tonnes in 2022)
	Total weight of hazardous waste generated	EM-MM-150a.7	Page 147
	Total weight of hazardous waste recycled	EM-MM-150a.8	In 2022, the hazardous waste of 11.7 thousand tonnes was transferred to third parties for neutralisation and reclamation (mercury-containing waste, chrome bath sludge, oil sludge, spent accumulator or other batteries)
	Number of significant incidents associated with hazardous materials and waste management	EM-MM-150a.9	None
	Description of waste and hazardous materials management (policies and procedures for active and inactive operations)	EM-MM-150a.10	Page 147
Tailings Storage Facilities Management	Tailings storage facility inventory table: (1) facility name, (2) location, (3) ownership status, (4) operational status, (5) construction method, (6) maximum permitted storage capacity, (7) current amount of tailings stored, (8) consequence classification, (9) date of most recent independent technical review, (10) material findings, (11) mitigation measures, (12) site-specific EPRPs	EM-MM-540a.1	For more details regarding the Company's tailings and sludge storage facilities, see the presentation

Topic	Indicator	Code	Page/Comment
Tailings Storage Facilities Management	Summary of tailings management systems and governance structure used to monitor and maintain the stability of tailings storage facilities	EM-MM-540a.2	Page 151
	Approach to development of Emergency Preparedness and Response Plans (EPRPs) for tailings storage facilities	EM-MM-540a.3	See information regarding the measures to prevent, confine, and recover from accidents at the Company's tailings and sludge storage facilities in the Guidance for Safety Control of Hydraulic Facilities¹ and action plans to confine and recover from accidents²
Biodiversity Impact	Description of environmental management policies and practices for active sites	EM-MM-160a.1	Page 153
	Percentage of mine sites where acid rock drainage is: (1) predicted to occur (2) actively mitigated (3) under treatment or remediation	EM-MM-160a.2	No acid rock drainage
	Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	EM-MM-160a.3	Not applicable
Security, Human Rights & Rights of Indigenous Peoples	Percentage of (1) proved and (2) probable reserves in or near areas of conflict	EM-MM-210a.1	No operations in areas of conflict
	Discussion of engagement processes and due diligence practices with respect to human rights, indigenous peoples' rights, and operation in areas of conflict	EM-MM-210a.3	No operations in areas of conflict
Community Relations	Discussion of process to manage risks and opportunities associated with community rights and interests	EM-MM-210b.1	Page 89
	Number and duration of non-technical delays	EM-MM-210b.2	None
Labour Relations	Percentage of active workforce covered under collective bargaining agreements, broken down by local and foreign employees	EM-MM-310a.1	100% of personnel
	Number and duration of strikes and lockouts	EM-MM-310a.2	None

^{1,2} This document is only available in Russian.

Topic	Indicator	Code	Page/Comment
Business Ethics & Transparency	Description of the management system for prevention of corruption and bribery throughout the value chain	EM-MM-510a.1	Page 47
	Production in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	EM-MM-510a.2	No production in such countries
Workforce Health & Safety	(1) Total reportable incident rate (TRIR)	EM-IS-320a.1	Page 108
	(2) Fatality rate		
	(3) Near miss frequency rate (NMFR) for full-time employees and contract employees	EM-MM-320a.1	Pages 105, 108
Supply Chain Management	Discussion of the process for managing iron ore and/or coking coal sourcing risks arising from environmental and social issues	EM-IS-430a.1	Page 33
Reserves Valuation & Capital Expenditures	Total raw steel production, percentage from: (1) basic oxygen furnace processes (2) electric arc furnace processes	EM-IS-000.A	Information is not disclosed as it is sensitive to the company and may lead to additional risks (due to the geopolitical situation)
	Total iron ore production, including iron ore consumed internally and that which is made available for sale	EM-IS-000.B	
	Total coking coal production, including coking coal consumed internally and that which is made available for sale	EM-IS-000.C	Not applicable
	Total production of: (1) metal ores finished metal products	EM-MM-000.A	11 million tonnes of cast iron output 10.7 million tonnes of steelmaking
	Total number of employees	EM-MM-000.B	Page 69

Appendix 3. TCFD Correspondence Table

Recommended disclosure	Report reference
<p>Governance Organisation’s governance around climate-related risks and opportunities</p>	<p>See the Climate Change and Energy Efficiency section Climate Report</p>
<p>Strategy Actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning</p>	<p>See the Climate Change and Energy Efficiency section Climate Report</p>
<p>Risk Management How the organisation identifies, assesses, and manages climate-related risks</p>	<p>See the Climate Change and Energy Efficiency section Climate Report</p>
<p>Metrics and Targets Metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</p>	<p>See the Climate Change and Energy Efficiency section Climate Report</p>



Appendix 4. Greenhouse Gas Emissions

GRI 305-1 GRI 305-2 EM-IS-110a.1 EM-MM-110a.1

Scope 1 and 2 GHG emissions

Emissions disclosure	Greenhouse gas emissions, million tonnes CO ₂ e				
	2018	2019	2020	2021 ¹	2022
Scope 1 emissions, total	26.21	26.47	26.40	28.80	26.01
including by category:					
stationary fuel combustion	12.99	13.18	13.58	13.38	12.78
mobile fuel combustion	0.46	0.51	0.49	0.52	0.48
production processes	9.31	9.45	9.56	11.96	11.69
fugitive emissions	3.45	3.33	2.76	2.94	1.06
Scope 2 emissions, total	1.56	1.64	1.46	1.47	1.07
including estimates ² :					
by market-based method	1.56	1.64	1.46	1.47	1.07
by location-based method	1.56	1.64	1.46	1.47	1.07
Scope 1 and 2 emissions, total	27.77	28.11	27.86	30.27	27.08
including by greenhouse gas in CO ₂ e:					
CO ₂	24.34	24.77	25.11	27.35	26.05
CH ₄	3.39	3.30	2.71	2.88	1.00
N ₂ O	0.04	0.04	0.04	0.04	0.03
PFC, HFC, SF ₆ , NF ₃	n/a, neg.	n/a, neg.	n/a, neg.	n/a, neg.	n/a, neg.

GRI 305-3

Scope 3 GHG emissions

Emissions category	Greenhouse gas emissions, million tonnes CO ₂ e				
	2018	2019	2020	2021	2022
Total Scope 3 emissions ³	16.61	15.45	16.10	14.08	12.47
including upstream categories	6.07	5.29	5.56	7.04	8.40
purchased goods and services	3.97	3.21	3.47	4.68	5.89
capital goods	0.23	0.26	0.27	0.30	0.42
fuel- and energy-related activities (not included in Scope 1 or Scope 2)	1.49	1.44	1.44	1.60	1.66
upstream transportation and distribution	0.34	0.34	0.34	0.42	0.40
waste generated in operations	0.01	0.01	0.01	0.01	0.01
business travel	neg.	neg.	neg.	neg.	neg.
employee commuting	0.03	0.03	0.03	0.03	0.02
upstream leased assets	neg.	neg.	neg.	neg.	neg.

¹ Scope 2 emissions for 2021 have been revised due to the adjustment of regional emission factors due to the decommissioning of coal-fired generation in the Vologda Region from 01/01/2021.






² The values of Scope 2 GHG emissions estimated by location-based and market-based methods are equal because electricity supply contracts in 2018–2021 do not contain the GHG emissions attributes, and GHG emissions were estimated by using the emissions factor corresponding to residual mix.

³ Data verified for 2018–2021 only.

Emissions category	Greenhouse gas emissions, million tonnes CO ₂ e				
	2018	2019	2020	2021	2022
including downstream categories	10.54	10.16	10.54	7.04	4.07
downstream transportation and distribution	0.19	0.23	0.22	0.20	0.26
processing of sold products	7.55	7.10	6.73	5.14	3.23
use of sold products	2.74	2.76	3.51	1.62	0.51
end-of-life treatment of sold products	0.04	0.04	0.05	0.05	0.04
downstream leased assets	0.02	0.03	0.03	0.03	0.03
franchises	n/a	n/a	n/a	n/a	n/a
investments	n/a	n/a	n/a	n/a	n/a
including by greenhouse gas					
CO ₂	14.49	13.83	14.53	11.73	10.45
CH ₄	2.07	1.57	1.52	2.31	1.98
N ₂ O	0.05	0.05	0.05	0.04	0.04
PFC, HFC, SF ₆ , NF ₃	n/a, neg.	n/a, neg.	n/a, neg.	n/a, neg.	n/a, neg.

neg. - negligible, n/a - not applicable

GHG emissions, Severstal

Indicator	Greenhouse gas emissions, million tonnes CO ₂ e				
	2018	2019	2020	2021	2022
Scope 1 	26.21	26.47	26.40	28.80	26.01
Scope 2 	1.56	1.64	1.46	1.47	1.07
Scopes 1 and 2, total 	27.77	28.11	27.86	30.27	27.08
Scope 3 ¹ 	16.61	15.45	16.10	14.08	12.47
Scopes 1, 2 and 3, total¹ 	44.38	43.56	43.96	44.35	39.55

¹ Data verified for 2018–2021 only.

Independent practitioner's assurance report **Translation of the original Russian version**

To the Board of Directors of Severstal, PJSC

Subject matter

We have been engaged by Severstal, PJSC (hereinafter "the Company") to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, (herein "the Engagement"), to report on the Biodiversity section and material sustainability performance indicators included in Severstal, PJSC Sustainability Report (hereinafter "the Report") and identified there by the "☒" symbol (hereinafter "the Indicators"), as of 31 December 2022 or for 2022 (hereinafter "the reporting period"):

- ▶ Scope 1 greenhouse gas emissions of the Company, million tonnes of CO₂e;
- ▶ Scope 2 greenhouse gas emissions of the Company, million tonnes of CO₂e;
- ▶ GHG emissions intensity in accordance with the methodology of the World Steel Association, tonnes of CO₂/tonnes of steel;
- ▶ Air pollutant emissions produced by the Company (in total), thousand tonnes;
- ▶ Air pollutant emissions produced by the Company (by type of pollutants), thousand tonnes;
- ▶ Total water consumption of the Company (for production and household needs), thousand m³;
- ▶ Amount of water discharged into water bodies by the Company, thousand m³;
- ▶ Irrevocable water consumption by the Company for production needs, thousand m³;
- ▶ Pollutant discharges of the Company to water bodies, thousand tonnes;
- ▶ Amount of waste generated by the Company, million tonnes;
- ▶ Waste generated by the Company by hazard classes, %;
- ▶ Waste utilisation (recycling, disposal and neutralization), million tonnes;
- ▶ Waste disposal, million tonnes;
- ▶ Power consumption of the Company, GWh;
- ▶ Amount of fuel used by Cherepovets Steel Mill by type of fuel, million m³;
- ▶ Electricity purchased by Cherepovets Steel Mill, GWh.

Translation of the original Russian version

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Under this engagement, we did not perform any procedures with regard to the forward-looking statements on performance, events or planned activities of the Company.

Applicable criteria

In preparing the Report and Indicators the Company applied Global Reporting Initiative Sustainability Reporting Standards (hereinafter "GRI Standards"), methodology of the World Steel Association for GHG emissions intensity calculation, the GHG Protocol Corporate Accounting and Reporting Standard and other criteria described in section "About the Report" of the Report (hereinafter "the Criteria").

The Company's management responsibilities

The Company's management is responsible for selecting the Criteria, and for preparation of the Report and Indicators in accordance with the Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Report and Indicators, such that it is free from material misstatement, whether due to fraud or error. In addition, the Company's management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate.

Practitioner's responsibilities

We conducted our assurance engagement in accordance with International Standard for Assurance Engagements (revised) *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (hereinafter "ISAE 3000"). ISAE 3000 requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Biodiversity section and the Indicators are prepared in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Translation of the original Russian version

Our independence and quality control

We apply International Standard on Quality Control 1 (ISQC 1) and International Standard on Quality Management 1 (ISQM 1) adopted by the International Federation of Accountants in respect of those matters for which the relevant requirements in ISQC 1 are either missing or less in scope (or in nature) than the requirements in ISQM 1, and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Summary of work performed

The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within information technology systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Biodiversity section and the Indicators and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Inquiries of the representatives of the Company management and specialists responsible for its sustainability policies, activities, performance and relevant reporting;
- ▶ Analysis of key documents related to the Company sustainability policies, activities, performance and relevant reporting;
- ▶ Obtaining understanding of the process used to prepare the information on the Indicators;
- ▶ Review of data samples regarding the Biodiversity section and the Indicators for the reporting period, to assess whether these data have been collected, prepared, collated and reported appropriately;
- ▶ Visit to the Company in order to interview executives responsible for preparing of the Indicators and gather evidence supporting the assertions on the Company's sustainability policies, activities, events, and performance made in the Report;

We also performed such other procedures as we considered necessary in the circumstances.

Translation of the original Russian version

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Biodiversity section and the Indicators are not prepared fairly, in all material respects, according to the Criteria.

Other matters to be reported

Our observations and areas for improvement will be reflected in a separate report to the Company management.

A.M. GRIGORIEV
Partner
TSATR – Audit Services Limited Liability Company

11 May 2023

Details of the independent practitioner

Name: TSATR – Audit Services Limited Liability Company
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
TSATR – Audit Services Limited Liability Company is a member of Self-regulatory organization of auditors Association “Sodruzhestvo”. TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the entity

Name: Severstal, PJSC
Record made in the State Register of Legal Entities on 31 July 2002, State Registration Number 1023501236901.
Address: Russia 162608, Vologda region, Cherepovets, 30 Mira Street.

Appendix 6. RSPB Independent Assurance Report

Opinion of RSPB Council for Non-Financial Reporting, ESG Indices and Sustainability Ratings on the Results of the Consideration of Severstal Sustainability Report 2022 Submitted for Public Affirmation

RSPB Council on Non-Financial Reporting, ESG Indices and Sustainability Ratings (“Council”) has reviewed Severstal Sustainability Report 2022 (“Report”) at request of PAO Severstal (“Company”, “Group”, “Severstal”).

The Company requested RSPB to arrange for the public affirmation of its report by RSPB Council. The Council provides an opinion on significance and completeness of the information about the Company’s performance disclosed in the report according to the responsible business conduct principles contained in the Social Charter of Russian Business, complying with the provisions of the UN Global Compact, Russian and international social responsibility and sustainability standards and guidelines.

Council Members reviewed the Report submitted by Severstal between 25 April and 17 May 2022 and prepared this Opinion according to the Public Affirmation Regulations for Corporate Non-Financial Reporting adopted by the Council.

The public affirmation (confirmation) procedure was carried out between 17 April to 12 May 2023 according to the Public Affirmation Regulations for Corporate Non-Financial Reporting adopted by the Council. This Opinion is based on the expertise and assessment of RSPB Expert Council for Non-Financial Reporting, the analysis of the Report and the review of its assessment by the members of the Council for Non-Financial Reporting, ESG Indices and Sustainability Ratings.

Council Members possess the required competencies in corporate social responsibility, sustainability, and non-financial reporting, comply with the ethics requirements of independence and impartiality of the evaluations, express their personal expert opinion as opposed to the opinion of organisations they represent.

The Report was evaluated on the basis of the following criteria for significance and completeness of the contained information:

- Information is deemed significant if it reflects the activities of the Company on the implementation of responsible business conduct principles disclosed in [the Social Charter of Russian Business](#).

- Completeness implies that the Company provides a comprehensive picture of its activities in the Report, including the underlying values and strategic objectives, governance systems and structures, stakeholder engagement, achievements and key results, performance indicators.
- Use of international reporting systems by the Company is taken in consideration as part of the procedure of the public affirmation of the Report. However, certifying the level of compliance of the Report with the international reporting systems is outside the scope of this Opinion.
- Responsibility for the information and statements contained in the Report lies with PAO Severstal. Reliability of factual data contained in the Report is not subject to public affirmation.

This Opinion has been prepared for PAO Severstal. The Company is entitled to use this Opinion, both for internal corporate purposes and for communications with stakeholders, publishing it without any changes.

Findings

Upon the conducted analysis of the Report and public information available on the official corporate website of the Company, and group discussion of the results of independent Report assessment performed by Members of RSPB Expert Council for Non-Financial Reporting, the Council affirms the following:

Severstal Sustainability Report 2022 covers the key areas of responsible business practices according to the principles of the Social Charter of Russian Business, information on the Company's activities in these areas are disclosed with sufficient completeness.

The recommendations of RSPB Council upon the public affirmation of Severstal Report 2021 have been reflected in the Report 2022. In particular, information on specific sustainability agenda items considered by the Board has been included, the number of planned versus actual indicators has been expanded, the approach of disclosing data over time in a single time format has been more fully adhered to.

The Company’s Report 2022 contains significant information on the following aspects of responsible business practices:

Economic freedom and responsibility: The Report contains information on the Group's structure and assets, geography of operations, main business lines. The business model is described, it reflects the creation of economic value, from iron ore mining and steel smelting to the production of finished products, distribution and service, as well as value for the Company's stakeholders. Key production, social and environmental performance indicators for the reporting period, as well as plans for 2023 and the medium term are disclosed. Information on digitalisation of business processes and the Company's innovation activities is contained. The measures taken by the Company to minimise the risks associated with the geopolitical situation and the progress made are reported, in particular, in the field of import substitution and ensuring the continuity of production processes. The adoption of the 2030 ESG Strategy, which is based on the Company's many years of experience in ESG, reinforces a comprehensive approach to responsible business conduct, is reported, the Company's public goals in this area are outlined. Data on the volume of investments in production development, R&D expenditures, their economic effect, sales of new types of products are shown. The Company's contribution to achieving the UN Sustainable Development Goals and its involvement in national projects is reported. Information on integration of sustainability management elements into the corporate management system is provided. The role of the Safety and Sustainability Board Committee in implementing the ESG agenda, including the climate aspects, is shown. Information on Severstal's management systems' compliance with international standards in the fields of environmental protection, product quality, occupational health and safety, energy efficiency and anti-corruption efforts. The organisation of the risk management system is covered, the Company's key non-financial risks and measures to mitigate them are listed. The anti-corruption management system is described. The existence of an Anti-Corruption Policy of PAO Severstal and Related Legal Entities is reported. Information on recorded cases of violations of the Company's anti-corruption requirements by employees and contractors is included, information on training to prevent corrupt behaviour is provided.

Business partnership: The Company's main stakeholders are described and the principles and forms of interaction with them are highlighted in the Report. Shareholders and investors: channels for informing the investment community, including on the ESG agenda, are described, information on holding an Investor Day and organising consultations with them is provided. Suppliers, contractors: ensuring sustainability and transparency of the supply chain through the Company's commitment

to responsible procurement principles enshrined in the corporate Code of Business Conduct, maintaining an online platform for procurement activities, comprehensive evaluation of contractors, launch of an ESG assessment procedure for key suppliers, accounting for the contribution of procurement to reducing the carbon footprint, cooperation in developing and implementing new technical solutions, questionnaires for suppliers to obtain feedback are reported. Customers and consumers: measures taken to ensure effective communications with customers are highlighted, including development of the dedicated Severstal Together portal, the CheckSteel mobile application for quality feedback and response to claims, automation of customer and supplier communication processes, customer preference surveys, customer satisfaction questionnaires; new product developments, joint projects, development of services and a customer loyalty programme, adherence to the Declaration on Support for Small and Medium-Sized Enterprises and measures taken in this field are reported. Employees: development of social and labour relations is covered, including ensuring decent wages and labour protection, creating conditions for training and career advancement, social support for employees, creating a succession pool; the main personnel performance assessment tools, data on employee satisfaction with work in the Company are shown, programmes for increasing employee involvement are presented. Authorities: interaction with authorities at the federal and regional levels is highlighted, including through the implementation of social and economic partnership agreements with federal subjects of Russia, as well as through the participation of Company representatives in consultative and advisory procedures, in the implementation of joint projects. Other business partners: information on the Company's participation in the work of Russian business associations, international sustainability initiatives, cooperation with Russian specialised research institutes and universities, non-profit organisations is contained.

Human rights: The Company's compliance with human rights in the context of its business activities in accordance with international standards and relevant Russian documents is covered. The adoption of the Policy for Human Rights, integration of human rights issues into corporate governance, measures to mitigate the risks of violations in this area in connection with the Company's operations are reported. Information on observance of labour rights is contained, including occupational safety, employment of people with disabilities. Information on the Company's support of employees' rights to freedom of association, participation in collective bargaining is provided. The fact that the Company's

production personnel are fully covered by collective bargaining agreements is noted. Information on measures taken to ensure gender balance at Severstal enterprises and non-discrimination on various grounds is given. The inclusion of human rights issues in staff training programmes is mentioned. It is shown that the Company pays great attention to the protection of human rights in its relations with local communities, including indigenous minorities, adheres to the principles of open dialogue. It is pointed out that there were no complaints related to violations of the rights of local communities in 2022. Approaches to the topic of human rights management in the supply chain are outlined. Feedback channels for reporting human rights violations are described.

Environmental protection and the climate agenda:

The Report shows that ensuring the environmental safety of production processes, environmental protection and the climate agenda are among the Group's sustainability priorities. The environmental management system and the results of the reporting year are presented, including an increase in the number of Group companies implementing international standards in this area, as well as having undergone the ISO 14001:2015 standard certification procedure. The KPI system is described, data on employee training is provided. The Company's implementation of a unified procedure for classifying and recording environmental incidents in 2022 in accordance with the adopted Environmental Incident Investigation standard is reported. The Company's efforts to search for new technologies and invest in clean technology projects, improve energy efficiency are highlighted. The launch of the green product line with a low carbon footprint (green steel) is reported. Key environmental indicators and indicators of environmental impact on atmospheric air, water and waste management are given in dynamics. A quantitative assessment of greenhouse gas emissions by Scope 1, 2 and 3 of the Company is provided. Information on voluntary initiatives to preserve biodiversity is provided. Waste minimisation activities are highlighted, including disposal of goods and packaging, ensuring safe operation of tailings storage facilities. The Company's goals of reaching a recycling rate of at least 98.5% by 2030 are outlined. It is shown that Severstal is actively involved in the climate change agenda and seeks to reduce its impact on climate change. A 2030 Decarbonisation Strategy is reported. The organisational structure of climate change management is highlighted, the Company's key climate risks are described, it is stated that their management is integrated into Severstal's risk management system. Information on the development of a Climate Risk Management Standard and publication of a Climate Report prepared in accordance with TCFD recommendations is included.

Information on the Company's participation in the environmental and climate performance rating developed by the Yu. A. Izrael Institute for Global Climate and Ecology is disclosed. Information on the implementation of the Company's energy saving policy is included. Information on the functioning of its energy management system in accordance with the requirements of ISO 50001:2011 standard is provided. Annual energy audits of business units are reported. Mechanisms for stakeholder engagement on environmental issues are described. The Company's participation in the Clean Air federal project and the positive assessment of its efforts in this area by the locals of the cities where it operates are reported.

Participation in local community and territory development:

The Report highlights the Company's role in the development of its regions of operation as a major employer, taxpayer and partner of small and medium-sized businesses. Social partnership agreements with regional administrations, a new cooperation agreement with the Belgorod regional government on mining and environmental projects, education and social protection programmes are reported. It is stated that Severstal invests significant resources in the development of the city of Cherepovets, the 2022 results of the Agency for Urban Development of Cherepovets are described. It is noted that Severstal implements programmes to improve the quality of life in the regions where it operates and create a comfortable urban environment in partnership with the authorities and NGOs. Social programmes include targeted support for vulnerable groups and assistance to social institutions in solving their problems. Information on social investments is presented, including a common approach of all Severstal enterprises to managing external social programmes, as set out in internal regulations on corporate social responsibility, sponsorship and charity. Key performance indicators and areas of activity in the reporting year are disclosed, including educational, sports, culture and art projects. Severstal's flagship programmes are presented. Data on the number of projects implemented, key results and the Company's expenditures for these purposes is included. Mechanisms for stakeholder involvement in Company projects, communication channels with local communities are covered. Annual public surveys in Cherepovets and Kostomuksha, their results, including acute issues of environmental impact, are reported. Information on Severstal's participation in the Professionalitet programme, a federal project aimed at creating a new level of secondary professional education, on the establishment of the Metallurgy and Mechanical Engineering clusters based on colleges is contained. It is indicated that the Company supports the corporate volunteer movement, its key areas are outlined.

Conclusion

Overall, the Report discloses information on PAO Severstal's responsible business practices, the Company's strategy, key events and performance in managing social, environmental and economic impact on society and environment, stakeholder engagement. In-depth coverage of climate-related topics is contained, including an analysis of climate risks and opportunities associated with the low-carbon transition. Severstal's contribution to achieving the 2030 SDGs, as well as implementing Russia's national projects is covered. A significant number of indicators reflecting the Company's performance on key sustainability drivers is contained.

The GRI Standards, GRI Guidelines for Mining and Metallurgical Companies, SASB and TCFD reporting standards have been used in the preparation of the Report, which facilitates comparability of information with other companies. The procedure for selecting material topics to be disclosed in the Report, considering the results of stakeholder surveys, is described.

The 2022 Report is the fifteenth corporate non-financial report of PAO Severstal, which demonstrates consistency in the development of public reporting, progress towards information transparency.

The Report is supplemented by thematic reports in a number of areas, which allows to fully consider the interests of various audiences.

The Company uses a variety of formats for independent affirmation of reporting information, including public affirmation, as well as assurance by an external auditor on greenhouse gas and pollutant emissions, health and safety performance for the reporting year.

Recommendations

While noting the merits of the Report, the Board draws attention to some aspects of information relevance and completeness of disclosure that are material to stakeholders and that it recommends to be considered in the next reporting cycles.

The Board notes that the recommendations arising from the analysis of the Company's previous reports appear useful for future reporting practices.

The Company's performance under the new conditions of global challenges caused by the restriction of exports to Western markets, the slowdown of economic growth in the industry, the disruption of supply chains is shown in the Report. In the next reporting cycle, it would be appropriate to develop this theme and include a description of the Company's achievements and actions to minimise the risks associated with today's challenges.

Information on stakeholder engagement is contained in the Report, it is recommended to provide more comprehensive information on these issues in the future, including relevant issues on working with such groups as shareholders and investors. It is also recommended to include information on the actual results of interaction with each stakeholder group for the reporting year, pay attention to comparative analysis with the results of previous periods and to changes occurring as a result of the Company's policy and practices.

Human rights issues in the context of business activities are reflected in the Report, it is recommended that more information be disclosed in the future on the rules, structure and results of the Company's human rights management, control procedures and prevention of violations in this area.

The Report provides detailed information on the Company's contribution to the development of the areas in which it operates, with performance indicators for a number of programmes. It is recommended that future reports include information on the social impacts achieved and the approaches used to measure them, as well as reporting on assessing the sustainability of results achieved in long-term projects.

The structure of the Company's charitable and sponsorship spending over the two years is highlighted in the Report. It should be noted that, in future, it will be important to include commentary on the investment figures for each area where there are significant changes in the dynamics of the data, which will contribute to a better understanding of the Company's social investment policy and practices.

As part of the description of the Company's participation in implementation of national projects, it is stated that the implementation of the Steel Energy programme aims to increase labour productivity. It is recommended to include labour productivity data in the reports, to disclose it in the dynamics.

It is also useful to include feedback from key stakeholder groups' representatives on the social, economic and environmental impacts of Severstal's enterprises and the quality of communication with the Company on these issues.

RSPP Council for Non-Financial Reporting, ESG Indices and Sustainability Ratings while welcoming the Report, supporting Severstal's commitment to principles of responsible business practices and noting the consistency in the development of the reporting process, confirms that Severstal Sustainability Report 2022 has received public affirmation.

RSPP Council for Non-Financial Reporting, ESG Indices and Sustainability Ratings



Российский союз промышленников и предпринимателей

СВИДЕТЕЛЬСТВО

об общественном заверении
корпоративного нефинансового отчета

Отчет об устойчивом развитии ПАО «Северсталь» за 2022 год

прошел общественное заверение в Совете РСПП
по нефинансовой отчетности

Развернутое заключение Совета РСПП об общественном заверении Отчета об устойчивом развитии ПАО «Северсталь» за 2022 год направлено в Компанию, которая может публиковать его без каких-либо изменений и использовать как для внутрикорпоративных целей, так и в целях коммуникаций с заинтересованными сторонами.

Регистрационный номер 217.01.019.03.22

Президент РСПП



А.Шохин

Москва, 2023



Appendix 7. Additional Topics and Impacts Submitted by Stakeholders

In the course of the survey on identifying the material topics, the stakeholders were offered to specify and assess any topics or impacts other than those pre-included in the questionnaire. Based on survey findings, there was compiled an additional list of impacts and topics, and information thereof is disclosed in the Report.

Impact/topic	Type	Comment
Biological wastewater treatment projects	positive	Included in the Responsible Water Use section
Air impact reduction measures and performance, complaint handling (e. g. regarding air emissions of nitrogen oxides (red smokes), off-odours)	negative	Negative impact management complaints and measures reflected in the Environmental Management System section and Air Pollution section
Feedback from residents of the region of presence	negative	Feedback reflected in the Environmental Management System section
Supplier social assessment	negative	Approach and plans described in the Responsible Supply Chain section
Activities of Company management under the sanctions regime, rearrangement of supply chains, entering new markets, sustainable clean technologies development	positive	Principles described in the Responsible Supply Chain section
Corrupt practices in purchasing goods, works, and services	negative	Principles described in the Responsible Supply Chain section

Contact Details

GRI 2-1 **GRI 2-3**

For more details about the Report, to request relevant information or submit your suggestions on future improvement of Severstal's non-financial reporting, please contact our Corporate Headquarters:

2 K. Tsetkin Street, Moscow, Russia, 127299, AO Severstal Management.

Phone: +7 (495) 961 01 95 ext. 21262 (CSR and Brand Department).

The registered office of PAO Severstal: 30 Mira Street, Cherepovets, Vologda Region, Russia, 162608.