

**APPROVED**

on May 24<sup>th</sup> 2021 by resolution of the Board of  
Directors of Mechel, Public Joint Stock Company  
minutes of the Board of Directors  
(MoM No. w/o number dd. May 24 2021)

**ANNUAL REPORT  
OF PUBLIC JOINT STOCK COMPANY  
MECHEL  
BASED ON THE RESULTS OF 2020**

Chief executive officer

Oleg V. Korzhov

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## CEO'S ADDRESS

“In 2020 the consolidated revenue of the Group decreased by 8% vs. 2019 and amounted to 265.5 bn. rubles. EBITDA decreased by 23% to 41.1 bn. rubles.

The main reason for the falling revenues was a significant slump in prices for coal products as compared to the previous year. Steel enterprises all over the world shrank their production because of COVID related restrictions, which could not but adversely affect the demand for met coals and price for them, accordingly. Mechel Group managed to survive through such adverse circumstances quite well: none of its enterprises was shut down, we managed to retain the staff, our production plans were not considerably revised, and we managed to fulfill all our financial liabilities towards the banks under the restructured loans. In spite of all the difficulties we faced last year, we managed to increase the production volumes of coal by 10%, pig iron smelting by 6% and steel smelting by 1% versus 2019. We also managed to enhance the assortment of the products manufactured by our Universal Structural Mill, complete our major projects of reconstruction of the blast furnace and of the converter at Chelyabinsk Metallurgical Plant, install the new equipment at Beloretsk Metallurgical Plant, put a new ore smelting furnace to operation at Bratsk Ferroalloy Plant, improve the synergy between the Group enterprises. We actively apply information technologies in management and reduce costs. Much was done to improve the environmental performance of our enterprises during the previous year and we continue to implement our environmental programs.

Current and planned investment projects provide for the implementation of the measures to reduce industrial emissions and reduce emissions to water bodies. E.g. two environmental agreements were signed by Company with the authorities in Chelyabinsk within Federal project “Pure air” and one more additional agreement on the reduction of emissions to water bodies under which the Company committed to reduce its air pollutant emissions by 15 thous. ton per year, and emissions to water bodies will be reduced thrice. The investments under the above mentioned agreements will total to 14.5 bn. rubles. To organize this work in a consistent and systematic manner this year we introduced the position of a deputy director for environmental management. We believe this will make it possible to speed up the implementation of our environmental programs and of the modern methods of environmental management at Group enterprises.

A 51% stake in the enterprises of Elga Coal Complex was sold in April 2020. Simultaneously with the above mentioned transaction the agreements on a ten years' restructuring of the debt were signed with Bank GPB (JSC) and VTB Bank (PJSC). It is a very serious step for the Group resulting in a 146 bn. rubles reduction of the financial debt of the Company, which made it possible to reduce the costs of servicing the credit portfolio and will make it possible to release financial resources for the development of the production enterprises of the Group.

The Group's net debt excluding penalties, fines and options as of December 31, 2020 in comparison with the same indicator at the end of 2019 decreased by 74.8 billion rubles and amounted to 325.6 billion rubles.

The market conditions at the beginning of 2021 are favorable for the Group. The current pricing conditions made it possible for us to generate cash flows sufficient for servicing of our credits and for financing of the investment projects of our enterprises.”

Chief Executive Officer,

Oleg V. Korzhov

## **1. GENERAL INFORMATION ON THE COMPANY**

### **1.1. Name**

**Full name in Russian:** Публичное акционерное общество «Мечел» (hereinafter referred to as the "Company", "Mechel").

**Short name in Russian:** ПАО «Мечел».

**Short name in English:** Mechel PAO.

### **1.2. Contact information**

**Company's location:** Moscow, Russian Federation.

**Company's address indicated in the Unified state register of legal entities:** 1 Krasnoarmeiskaya Street, Moscow, 125167, Russian Federation.

**Mail address:** 1 Krasnoarmeiskaya Street, Moscow, 125167, Russian Federation.

**Phone number:** +7 (495) 221-88-88.

**A Internet pages where the information about the company is available:** <http://www.mechel.ru/> ; <http://www.e-disclosure.ru/portal/company.aspx?id=1942>.

**E-mail address:** [mechel@mechel.com](mailto:mechel@mechel.com).

### **1.3. Details on the state registration**

Mechel PAO is a joint stock company established under the laws of the Russian Federation. The Company was established (incorporated) under the laws of the Russian Federation. The Company was registered on March 19<sup>th</sup> 2003 in the Russian Federation by Interdistrict Tax Inspectorate No. 46 of the Federal Tax Service of the Russian Federation in Moscow under primary state registration number 1037703012896 (Certificate of state registration of a legal entity, blank series 77 № 011726883). Since its foundation on March 19<sup>th</sup> 2003 till August 19<sup>th</sup> 2005 the official name of the Company was Mechel Steel Group, Open Joint Stock Company (Mechel OAO).

Mechel PAO has been given Individual taxpayer's number (INN) 7703370008 and Code of reason for registration (KPP) 771401001 (Certificate of registration of a Russian organization in a local tax office in the Russian Federation, blank series 77 № 017744898).

The Articles of Association (its currently effective version) was approved on June 30<sup>th</sup> 2020 by resolution of the Annual general meeting of shareholders of the Company (Minutes No. 1 dd. July 2<sup>nd</sup> 2020) and registered by Interdistrict Tax Inspectorate No. 46 of the Federal Tax Service of the Russian Federation in Moscow on July 22<sup>nd</sup> 2020 under state registration number (GRN) 2207706572676.

### **1.4. Authorized capital and shares**

In accordance with the effective version of the Articles of Association of the Company, the authorized capital of the Company is 5,550,276,600 (Five billion five hundred fifty million two hundred seventy-six thousand six hundred) rubles.

The authorized capital of the Company consists of the nominal value of the shares bought by the shareholders.

The quantity of the placed shares of the Company is 555,027,660 shares, out of them:

- 416,270,745 (Four hundred sixteen million two hundred seventy thousand seven hundred forty-five) ordinary registered uncertified shares with the nominal value of ten (10) rubles each.

State registration number of the securities issue: 1-01-55005-E dd. April 29<sup>th</sup> 2003.

- 138,756,915 (One hundred thirty-eight million seven hundred fifty-six thousand nine hundred fifteen) privileged registered uncertified shares with the nominal value of ten (10) rubles each.

State registration number of the securities issue: 2-01-55005-E dd. June 5<sup>th</sup> 2008.

Voting shares in 2020 were ordinary shares. No shareholders' meeting were held in 2020 with the agenda points allowing the owners of privileged shares to take part in the meeting.

According to the list of persons eligible for participation in the annual general shareholders' meeting on June 30<sup>th</sup> 2020, the quantity of shareholders eligible for participation in the annual general shareholders' meeting was 17,615.

The Company purchased 10,804,058 of its own shares on September 29<sup>th</sup> 2020 as a result of the procedure of mandatory repurchase in accordance with the provisions of the Law on Joint Stock Companies. Ordinary shares were purchased from the shareholders who either voted against or did not participate in the voting related to the resolution on the approval of major transactions at the annual general shareholders meeting that took place on June 30<sup>th</sup> 2020 and who laid such demands.

. The purchase price per ordinary share was 80.57 rubles. The quantity of purchased ordinary shares amounted approximately to 1.95% of the authorized capital of Mechel PAO. 10,804,058 ordinary shares were purchased by HC Yakutugol AO from Mechel PAO in October 2020.

As of December 31<sup>st</sup> 2020 the Company does not have any shares of the Company at its disposal. The following are the shares at the disposal of the legal entities that are controlled by Company:

- 11,494,619 ordinary shares (2.76% of the total quantity of the ordinary shares);
- 54,793,636 privileged shares (40% of the total quantity of the privileged shares).

### 1.5. Major shareholders of the Company

The following are the major shareholders of Mechel PAO whose share in the authorized capital exceeds 5 %:

1) Full company name: **SKYBLOCK LIMITED**

Abbreviated company name: **no**

Location: **27, Michalakopoulou street, 1075, Nicosia, Cyprus**

Stake in the authorized capital of the Company: **9.99665%**

Percent of the Company's ordinary shares owned by the person: **0.16589%**

The entity is controlled by the Company: Mechel PAO owns 100% of its authorized capital;

2) Full company name: **MetHall Limited Liability Company**

Abbreviated company name: **MetHall LLC**

Location: **1 Krasnoarmeiskaya, Moscow, Russian Federation, 125167**

INN: **7705378683**

OGRN: **1037739555831**

Stake in the authorized capital of the Company: **14.02%**

Percent of the Company's ordinary shares owned by the person: **18.7%**

Authorized capital belongs to I.V. Zyuzina, K.I. Zyuzina and K.I. Zyuzin and their stakes are 34%, 33% and 33%, accordingly;

3) Full company name: **"Gazprombank" (Joint - stock Company)**

Abbreviated company name: **Bank GPB (JSC)**

Location: **16 Nametkina St., bldg.1, 117420 Moscow, Russian Federation**

INN: **7744001497**

OGRN: **1027700167110**

Stake in the authorized capital of the Company: **4.0854%**

Percent of the Company's ordinary shares owned by the person: **5.45%**

State Corporation Deposit Insurance Agency and Ministry of Finance of the Russian Federation are the shareholders of Bank GPB (JSC) and their stake in the authorized capital is 64.5% and 20.5 %, accordingly.

4) Full name: **Igor Vladimirovich Zyuzin**

Stake in the authorized capital of the Company: **19.86%**

Percent of the Company's ordinary shares owned by the person: **26.47%**

The shareholder is Chairman of the Company's Board of Directors.

I.V. Zyuzin, Chairman of the Board of Directors of Mechel PAO, with regard of direct and indirect ownership together with his family members, as of the end of the accounting year owned 51.54% of the total quantity of the ordinary shares of the Company.

The Company has no other information about shareholding exceeding five percent, in addition to the above.

The Company allows no acquisition of control to shareholders, which is disproportionate to their participation in the company's authorized capital, including on the basis of shareholder agreements.

## **1.6. Registrar**

The share register of the Company is maintained by the professional member of the securities market – Independent Registrar Company R.O.S.T. Joint-Stock Company (JSC IRC R.O.S.T.), license of the Central Bank of the Russian Federation No. 045-13976-000001 without restriction on the period of its validity, a member of the Professional Association of Registrars, Transfer Agents and Depositories (PARTAD), the Russian Union of Industrialists and Entrepreneurs, the National Financial Association (NFA), Saint Petersburg Chamber of Commerce and Industry, the Association of Regional Banks of Russia and a member of the Transfer Agent and Registrars System (STAR).

According to the National Rating Agency, JSC IRC R.O.S.T. has been leading the independent industry ranking for the Registrar market for two successive years: the company is leading in all indicators for all indications of 2018 and 2017.

Registered persons are serviced on a real-time basis, both by Moscow Central office and by 51 offices located in 47 regions.

Address: 18 bldg. 5B, Stromynka Street, Moscow, 107076.

Адрес страницы в сети Интернет: <http://rrost.ru/ru>.

## **1.7. Auditor**

For the purpose of independent evaluation of accounting (financial) statements under the Russian Accounting Standards, Mechel PAO attracts annually an external auditor for statements auditing.

The Company's auditor is Energy Consulting JSC, state registration number 1047717034640, located at: Obrucheva street 23/3, Office XXII/9b, Moscow, Russian Federation, 117630, a member of the self-regulatory organization of auditors – Association “Sodruzhestvo” –

and is included into the register of auditors and audit companies of the above mentioned self-regulatory organization of auditors based on respective resolution dd. December 20th 2019 under principal number of registration entry (ORN) 11906106131. The remuneration of the auditors for the audit of the 2020 accounting (financial) statements under RAS amounted to 96.33 thous. rubles.

The plan of audit of the accounting (financial) statements of Mechel PAO is reviewed by Audit Committee of the Board of Directors on an annual basis, and the results of the audit of the accounting and financial statements of Mechel PAO under RAS are analyzed and the effectivity of the external auditor is assessed on an annual basis by Audit Committee of the Board of Directors to ensure the objectivity of auditor Energy Consulting JSC.

The audit of Mechel IFRS consolidated financial statements for 2020 was performed by Ernst & Young Limited Liability Company (Ernst & Young LLC).

Location: 77 Sadovnicheskaya Naberezhnaya, Building 1, Moscow, Russia.

The following procedures are annually performed by Audit Committee of the Board of Directors to ensure the independency and objectivity of the auditor of the IFRS consolidated financial statements of Mechel:

1. Preliminary approval of all audit and non-audit services provided by Ernst & Young LLC, including tax services.
2. Analysis of the plan of integrated audit of the IFRS consolidated financial statements of Mechel.
3. Analysis of the results of integrated audit of the IFRS consolidated financial statements of Mechel.

Auditor selection is performed by way of a tendering procedure: the procedure is arranged and performed by purchasing committee appointed by respective internal order of the company. Based on the results of the analysis of the requests and proposals received from participants of the tendering procedure the committee is to decide upon selection of the auditor for the respective period.

In accordance with the Federal Law on Joint Stock Companies, the auditor shall be approved by resolution of the general shareholders meeting of the Company. This question shall always be included into the agenda of the annual general shareholders meeting.

### **1.8. Information on subsidiaries/affiliates. Information on the Company's securities quotations**

Mechel PAO was founded in 2003 on the basis of production capacities in the mining and metallurgical sectors. Today Mechel PAO is one of the leading companies in Russia. The Company constitutes a vertically integrated Group that unites the producers of coal, iron ore, steel, rolled metal, ferrosilicon, heating and electric energy. Besides, the Company owns a logistics company and transport operator. The Group's own distributive structures sell its products in the Russian market, in the CIS, Europe, Asia, the Middle East, North and South America. All enterprises of the Group work in a single production chain: from raw materials to products with high added value.

Mechel Group is one of the biggest producers of coking coal in Russia and one of the leading producers of coals for the metallurgical industry in the world. In 2020 the total volume of mined coal was 15.9 million tons, including 9.6 million tons of coking coal. Based on the results of 2020 the Group produced 10.8% of the total coking coal production market in Russia.

Mechel Group is one of the biggest producers of specialty steel and alloys in Russia producing the widest range of these products and has the second place for bar iron output in Russia



(not including bloom). In addition, Mechel is the largest producer of wire rod in Russia and has the fourth place for reinforced bars output.

According to the IFRS, in 2020 was 265.5 billion rubles. For 2020, the profit attributed to the shareholders of Mechel PAO was 0.8 billion rubles; the consolidated adjusted EBITDA was 41.1 billion rubles.

According to the Russian Accounting Standards, for 2020, the consolidated revenue was 14.3 billion rubles, the net loss was 1.5 billion rubles, the operating profit (sales profit) was 12.2 billion rubles.

Mechel PAO is one of the leading international companies in the mining and metallurgical industries. The Company comprises production facilities in 11 regions of Russia and in Lithuania.

### ***Mining Segment***

The mining enterprises of Mechel PAO produce and sell iron-ore concentrate, coking coal concentrate, anthracite coal, PCI and coke, which are the main kinds of raw materials for steel production, as well as produce and sell power generating coal and middling products. The mining segment products are sold to outside consumers in Russia and abroad and are used to meet the internal needs of the Metallurgical and Power segments of the Group.

Mechel Group is the second biggest producer of coking coal in Russia, according to the data of the Central Dispatching Department of the Fuel and Energy Complex for 2020 (including the coking coal volumes produced by Elgaugol OOO in 2020 before the disposal of the latter).

As of December 31<sup>st</sup> 2020, in accordance with the JORC standards, the licensed coal reserves were 692.5 million tons, where coking coal is 43%.

The mining segment of Mechel Group is represented by such enterprises as , enterprises as Southern Kuzbass PAO, Yakutugol Holding Company AO, Korshunov Mining Plant PAO, Moscow Coke and Gas Plant AO and Mechel-Coke OOO. The functions of the sole executive body of coal and iron ore production companies and coke producers are performed by Mechel Mining Management Company OOO, a wholly owned subsidiary of Mechel Mining OOO.

**Southern Kuzbass Public Joint-Stock Company** (Mezhdurechensk, Kemerovo Region) is one of the largest Russian producers of coking and power generating coal. The mining assets of Southern Kuzbass PAO include four open-pit mines: Krasnogorsky Open Pit, Sibirginsky Open Pit, Olzherassky Open Pit, Tomusinsky Open Pit, and three mines: Olzherassk New Mine, Mine named after V.I. Lenin and Sibirginsk Mine. The processing assets of Southern Kuzbass PAO include four washing plants: Sibir Central Washing plant, Kuzbasskaya Central Washing plant, Krasnogorskaya Washing plant, Tomusinskaya Ore Mining and Processing Plant, as well as Sibirginskaya Washing plant. «Southern Kuzbass has sufficient reserves of coking coal and power generating coal to provide for a stable long-term operation of the open pits and mines. The total estimated capacity of the washing plants of Southern Kuzbass PAO is about 17.3 million tons of run-of-mine coal per year. As of December 31<sup>st</sup> 2020, according to the JORC standards, the total volume of mineral reserves of Southern Kuzbass PAO is 521 million tons. As of year-end 2020, the facilities of Southern Kuzbass mined 10.3 million tons of run-of-mine coal.

**Yakutugol Holding Company Joint-Stock Company** (Neryungi, Republic of Sakha (Yakutiya)). The company assets include three open-pit mines (Nerungrinsk Open Pit, Kangalassk Open Pit and Dzhebariki-Khaya Open Pit) and Nerungrinsk Washing plant. Yakutugol Holding Company also holds the licenses for the development of Pionerskoe iron-ore deposit and Sivaglinskoe iron-ore deposit. Yakutugol is one of the few producers of hard coking coal in Russia. Primarily, it is high-quality coking coal. The products of Yakutugol is in high demand both in the domestic and foreign markets. The coking coal concentrate is supplied to metallurgical and coke-chemical enterprises of the Central Russia and exported to the Asia-Pacific Region. As of

December 31<sup>st</sup> 2020, according to the JORC standards, the total volume of mineral reserves is 171 177 million tons. 5.6 million tons of run-of-mine coal were mined at year-end 2020.

**Korshunov Mining Plant Public Joint-Stock Company** (Zheleznogorsk-Ilimsky, Irkutsk Region) is one of the biggest iron-ore mining enterprises in Russia and the only one operating in the East-Siberian Region. The assets of Korshunov Mining Plant PAO include two open-pit mines: Korshunov Open Pit Mine and Rudnogorsk Open Pit, as well as Korshunov Washing plant. As of December 31<sup>st</sup> 2020, according to the JORC standards, the total volume of mineral reserves of Korshunov Mining Plant was 126.7 million tons. 7.0 million tons of iron-ore raw materials were mined and 2.1 million tons of iron-ore concentrate were produced at year-end 2020.

The mining segment also includes two coke production enterprises: **Moscoke AO** located in the town of Vidnoye, Moscow Region, and **Mechel Coke OOO** located in Chelyabinsk. Coke is produced both for internal use and for selling to third parties.

**Moscow Coke and Gas Plant** (Vidnoye, Moscow Region) has a favorable geographical location and stable sales markets. The enterprise produces coke, benzene and coal tar. The coking chemical products of the enterprise are successfully sold in the domestic market, basically, to the enterprises located in the Central Russia, and exported. Currently, the total production capacity of four coke batteries is 0.7 million tons of bulk coke per year with the moisture of 6%.

**Chelyabinsk Coke and Chemical Products Plant Limited Liability Company** (Mechel Coke OOO, Chelyabinsk) is an enterprise that produces coke and chemical products. The main product is metallurgical coke currently produced by eight coke-oven batteries with the aggregate annual capacity of 3.0 million tons. Mechel-Coke OOO caters for the production needs of the enterprises of Mechel and sells its products in the domestic and foreign markets. The produced coke is characterized by high quality: uniform humidity and strength, low content of ash and sulfur, low output of volatile substances. 19 types of chemical products are produced from coke gas, the byproduct, at the shops of Mechel-Coke: benzene, toluene, solvent, naphthalene, ammonia sulfate, resins and other products. They are used to produce plastic masses, synthetic fibers, medicine, perfume and organic synthesis products, both in Russia and abroad.

### ***Steel Segment***

Mechel operations in the Steel segment embrace production of rolled sections from carbon and alloyed steel, as well as flat sections of stainless steel, structural steel, steel products with high added value, including steel ware, stampings and forgings, as well as billets. The Steel Segment of Mechel includes the enterprises in Russia and Lithuania.

According to the data of “Metal Expert”, Mechel Group takes the second place in terms of bar iron output in Russia (not including bloom), the second place in terms of rolled wire production, the fourth place in terms of reinforced bars production volumes as well as the second place in terms of steel ware production volumes in Russia. Besides, Mechel takes the fourth place in Russia in terms of ferrosilicon production volumes, according to the data of agency “Metal Expert”.

In terms of steel casting, the production capacities of Mechel PAO in Russia include two steel casting enterprises – Chelyabinsk Metallurgical Plant and Izhstal Plant. The Steel segment also includes the steel ware producing enterprise – Beloretsk Metallurgical Plant, Vyartsilya Steelware Plant, and Mechel Nemunas (Lithuania), stamping and forging production plant - Urals Stampings Plant. After the liquidation of the Ferroalloy Segment in 2014, Bratsk Ferroalloy Plant in Bratsk was added into the Steel Segment. Mechel Group also includes the world-famous Kaslinsky Plant of Art Casting, one of the oldest factories in Russia preserving centuries-old traditions of artistic casting and architectural iron casting. Enterprises of Mechel Steel Segment are controlled by a subsidiary company, Management Company Mechel-Steel OOO.

**Chelyabinsk Metallurgical Plant Public Joint-Stock Company** (Chelyabinsk) is one of the biggest in Russia full-cycle metallurgical plants producing high quality steel. CMP produces a wide range of metallurgical products: pig iron, steel semi-products for further conversion, rolled sections and sheet products from carbon, structural, tool and corrosion-resistant steel grades, as well as rails. The universal structural mill (USM) was commissioned at CMP in July 2013. USM is a first Russian comprehensive universal production of high-quality profiled bars and rails with the length up to 100 meters. The rails produced by USM surpass their international analogues in terms of a range of main aspects resulting from climatic and other conditions of rails operation in Russia, namely, low temperature reliability, increased wear resistance and contact endurance. The capacity of USM amounts to 1.1 million tons of finished products per year. In June 2015, the company received a certificate of compliance with the requirements of the Technical Regulations of the Customs Union for rails up to 100 meters. This Certificate allows the company to supply the products of Chelyabinsk Metallurgical Plant to JSC Russian Railways. In 2017, Chelyabinsk Metallurgical Plant mastered a new technology for the production of large-tonnage ingots with a weight of 60 tons from different steel grades, which will allow CMP to enter the market for oversized products, which is new for the Company, and to supply those products both to the domestic market and for export. In 2020 Chelyabinsk Metallurgical Plant produced 3.5 million tons of crude steel and 3.1 million ton of steel rolled products, of which 288 thous. ton were rail products.

**Izhstal Open Joint Stock Company** (Izhevsk, the Udmurt Republic) – the biggest steel enterprise of Udmurtia, one of the most significant economic entities in the Republic. The enterprise occupies the leading positions among Russian producers of special steel grades, alloys and stainless rolled sections, and makes graded, calibrated and turned rolled products, cold-rolled strip, high-precision shaped steel profiles of structural, tool, high-speed, stainless steel grades. The consumers of Izhstal PAO products are the enterprises of the Defense Complex and high-tech mechanical engineering, automotive, aviation, oil, mining industries, tool factories. The enterprise products are shipped to the USA, EU and CIS countries. In 2020, the enterprise produced 190 thous. ton of crude steel and 356 thous. ton of rolled steel products.

**Beloretsk Metallurgical Plant Joint Stock Company** (Beloretsk, the Republic of Bashkortostan) is one of the main steel ware producers in Russia. The range of the produced items includes rolled wire and steel wire from quality steel grades – carbon, alloyed and stainless, steel ropes of various structures without coating and galvanized, tape of various sizes and sections, nails, and it is the only Russian enterprise producing micro wire with diameter of up to 0.009 mm. The products of Beloretsk Metallurgical Plant are demanded by almost all industries: fuel and power industry, mechanical engineering, construction, as well as by the Defense Industrial Complex. A new investment project for the production of import-substituting products - multi-strand ropes with a number of strands from 6 to 12 and a diameter of 22 to 90 mm, including those with a polymer coating, was implemented by BMP. In 2020, BMP produced 417 thousand tons of steel ware products.

**Urals Stampings Plant Public Joint Stock Company** (Chebarkul, Chelyabinsk Region) – the biggest Russian producer of stamped products from special steel and alloys. The unique forging and stamping production on the basis of heavy and super heavy units, whose fundamental equipment is stamping hammers with the mass of falling parts from 2 to 25 tons, as well as the world's largest hammer without an anvil block with impact energy of 150 ton forces, allow the production of stamping weighing up to 2.5 tons and of up to 4 meters in length. Russia's first facility for production of large wrought rings is designed for production parts weighing up to 2 tons and of up to 4 meters in diameter. Urals Stampings Plant produces stamping for almost all mechanical engineering industries: missile engineering and space industry; aircraft engineering, heavy, transport, power, oil and gas engineering; production of lifting and transport vehicles, chemical, food, ore mining and many other industries. In 2020 Urals Stampings Plant PJSC produced 79 thousand tons of stampings and forgings from special steels.

**Vyartsilya Metal Products Plant Joint Stock Company** (Village of Vyartsilya, the Republic of Karelia) produces steel ware products, including low carbon, electrode and structural wire, galvanized nails and steel mesh with polymer coating from the wire rod supplied by Chelyabinsk Metallurgical Plant. In 2020 Vyartsilya Metal Products Plant JSC produced 56.4 thousand tons of steel ware products.

**Mechel Nemunas ZAO** (Kaunas, Lithuania) – a steel ware enterprise producing wire, steel fiber designed for reinforcement of cement mixture and concrete, nails, including for the Europallets, and mesh. Its consumers are, first of all, mechanical engineering, construction and furniture enterprises. Main production capacities of Mechel Nemunas plant include wiredrawing mills, nail and thread machines, mesh weaving machinery. The products of Mechel Nemunas are widely demanded not only in the Baltic States, but also within the EU market. In 2020 Mechel Nemunas ZAO produced 30.4 thousand tons of steel ware products.

**Bratsk Ferroalloy Plant Limited Liability Company** (Bratsk, Irkutsk Region) – a modern and highly efficient enterprise producing high-grade ferrosilicon (with 65% and 75% silicon content). The enterprise is gradually switching to metal melting from quartzite's of own Uvatskoye deposit. The products have an international quality certificate. The plant has a favorable geographical location and stable sales markets. The enterprise products are supplied to the plants of Mechel Group and it is also sold at the domestic and foreign markets. In 2020 Bratsk Ferroalloy Plant OOO produced 66.7 thousand tons of ferrosilicon with 65% and 75% silicon content.

### ***Power segment***

Mechel's power segment generates electricity, heat and other types of energy for the needs of Mechel production companies, sells surplus energy resources in the free market, supplies electricity from the wholesale electricity (capacity) market, and provides heating energy to a number of cities.

The power segment of the Group is represented by Southern Kuzbass Power Plant and Kuzbass Power Sales Company. All power assets are managed by Mechel Energo OOO.

**Southern Kuzbass Power Plant Public Joint Stock Company** (Kaltan, Kemerovo Region) – a heat power plant in Kaltan, Kemerovo Region is designed to cover for the base loads of Kuzbass power system. The installed electric capacity of Southern Kuzbass Power Plant is 554 MW. Southern Kuzbass Power Plant provides hot water for heating and hot water supply in Kaltan and Osinniki, Kemerovo Region. The installed heat capacity of the enterprise is 506 Gcal/hour. Coal for Southern Kuzbass Power Plant is supplied from Southern Kuzbass PAO.

**Kuzbass Power Sales Company Public Joint Stock Company** (Kemerovo) is one of the largest power sales companies in the Kemerovo Region operating in the status of a guarantee supplier. The number of consumers serviced by Kuzbass Power Sales Company PJSC currently exceeds 90% of consumers of the region, including industrial enterprises, budget institutions, utility facilities and social spheres, small business enterprises, agricultural enterprises, as well as residents of cities and rural settlements.

### ***Logistics segment***

Striving for the maximum efficiency in the delivery of goods to its consumers, Mechel is actively developing its own logistics network. The Group includes cargo seaports in the Japanese Sea (Trade Port Posiet) and the Azov Sea (Mechel-Temryuk Port) and a cargo river port on the Kama River in the Central Russia (Port Kambarka). Having its own cargo transportation capacities allows the Group to save on costs. Thus, Mechel is less dependent on fluctuations in the transportation market – the company can create a flexible delivery schedule that is convenient for customers. Mechel also has a large fleet of rolling stock. In 2020 the company transported almost 30 million tons of cargo. The logistics assets are operated by and under the management of Management Company Mecheltrans OOO.

**Trade Port Posiet Joint Stock Company** (the village of Posiet, the Primorye Territory) – a sea trade port, ensures coal supply to the countries of the Asia-Pacific Region. The railway connects it with the Trans-Siberian Railway, northeast China and North Korea. Posiet is a convenient terminal for transporting coal mined in the deposits of Mechel Group enterprises – Yakutugol and Southern Kuzbass. The current transshipment capacity of Port Posiet is up to 9 million tons of cargo per year. As soon as technical re-equipment project is completed, its capacity will increase up to 15 million tons of cargo per year. The purpose of the technical re-equipment project is to turn Port Posiet port into a specialized coal terminal. An increase in cargo turnover was achieved due to introducing a modern technology of processing bulk cargos and installation of high-performance equipment.

**Port Mechel Temryuk Limited Liability Company** (Temryuk, the Krasnodar Territory, Taman Coast of the Sea of Azov) – is a modern, technically equipped sea port open for foreign ships entry. It has a favorable geographical location and climatic conditions allowing navigation throughout the year. Port Mechel Temryuk ensures coal supply to the countries of the Black Sea and Mediterranean Sea Basin both using a direct option with ships of "river-sea" type and with transshipment in the Kerch Strait to heavy-tonnage, vessels (bulk carriers). Port Temryuk comprises four operating berths, two of which are 248 meters in length and are used to service export/import cargoes, one berth is used to service ships with coastal cargoes. The total length of the coastal line, where the transshipment facility is located, is 850 meters, and the area of the transshipment facility is around 36 hectares. The port has its own access railway. The port's current transshipment capacity is 1.5 million tons of cargoes a year. The main types of cargoes are coal and coke, as well as rolled steel products.

**Port Kambarka Open Joint Stock Company** (Kama, the Udmurt Republic) is one of the most deep-water river ports in Russia transshipping metal products, coal, sand, crushed stone and quarry stone. The port has a berthing wall of 620 meters in length with guaranteed depth of the ship's passage and berth entries with 4 meters depth. The length of the internal railways equal to 3.8 kilometers allows simultaneous loading of up to 60 wagons. Loading and unloading works are carried out by eight portal cranes with a lifting capacity ranging from 5 to 20 tons. The total area of the warehouse is 38,300 square meters. The enterprise specializes in transshipment of bulk cargoes (coal, crushed stone, gypsum stone, quarry stone, sand, ASG, alumina) and packaged cargo (slabs, billets, rolled steel products, tubular products). The port transships Mechel's cargoes sending them to the Baltic Sea, the Caspian Sea, the Black Sea and Mediterranean Basin via the internal waterways of Russia. The port also transships products to supply them to Turkey, Romania, Bulgaria and further to Europe.

### ***Selling segment***

Sales of products of the mining segment, steel products and ferroalloys in the domestic and foreign markets are conducted by own trading companies. The company has its own network of foreign subsidiaries, branches, warehouses, service centers and agents for marketing its own products in the international market, as well as a Russian subsidiary sales and service company that sells steel products in the domestic market with regional offices in more than 40 Russian cities.

## *Mechel Group geographical presence*



## **Shares of Mechel PAO**

Mechel PAO is the first company among mining and metallurgical companies from Eastern and Central Europe, and Russia that placed its shares on the New York Stock Exchange.

Since October 2004, ordinary registered shares of the Company have been circulating outside the Russian Federation in form of American Depositary Receipts, level 3 (hereinafter – the "ADR") at New York Stock Exchange under MTL symbol. Starting from January 12<sup>th</sup> 2016, each ADR represents two ordinary shares of the Company.

Since May 7<sup>th</sup> 2010, preferred shares of the Company have been circulating at New York Stock Exchange in form of Preferred American Depositary Receipts. Each preferred ADR is a half of a preferred share (1 preferred ADR = ½ of a preferred share).

The shares of the Mechel PAO were admitted for trading at Moscow Stock Exchange PJSC and were included in quotation list A, level 1. In the trading system, common shares are assigned the MTLR code, and preferred shares are traded under MTLRP code.

## *Price trend in 2020: ordinary shares*

Prices



Volumes



## *Price trend for one American Depositary Receipt per ordinary share in 2020*

Prices



Volumes

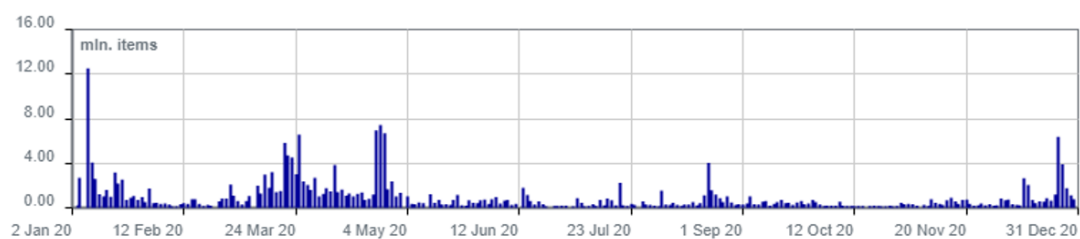


## ***Price trend in 2020: preferred shares***

Prices



Volumes



## ***Price trend for one American Depositary Receipt per preferred share in 2020***

Prices



Volumes





### **1.9. Staff Headcount and Social policy**

The headcount of Mechel PAO in 2020 was 254 people. На предприятиях Группы «Мечел» трудится 52.851 thous. people work for Mechel Group enterprises.

Mechel enterprises follow the principles of social responsibility and therefore contribute a lot to the social and economic development of the regions of their location, first, through being major taxpayers and employers.

Mechel's social policy is aimed at the improving of the Company's effectiveness and competitiveness, generating stable and high-qualified working teams by means of a developed social security system to cater for the needs of the employees. By investing into social programs, the Company is planning to ensure the high level of the employees' efficiency, retain professional teams and preserve good reputation in the external labor market.

### **1.10. Representation Offices**

**The Company has the following Representation Offices:**

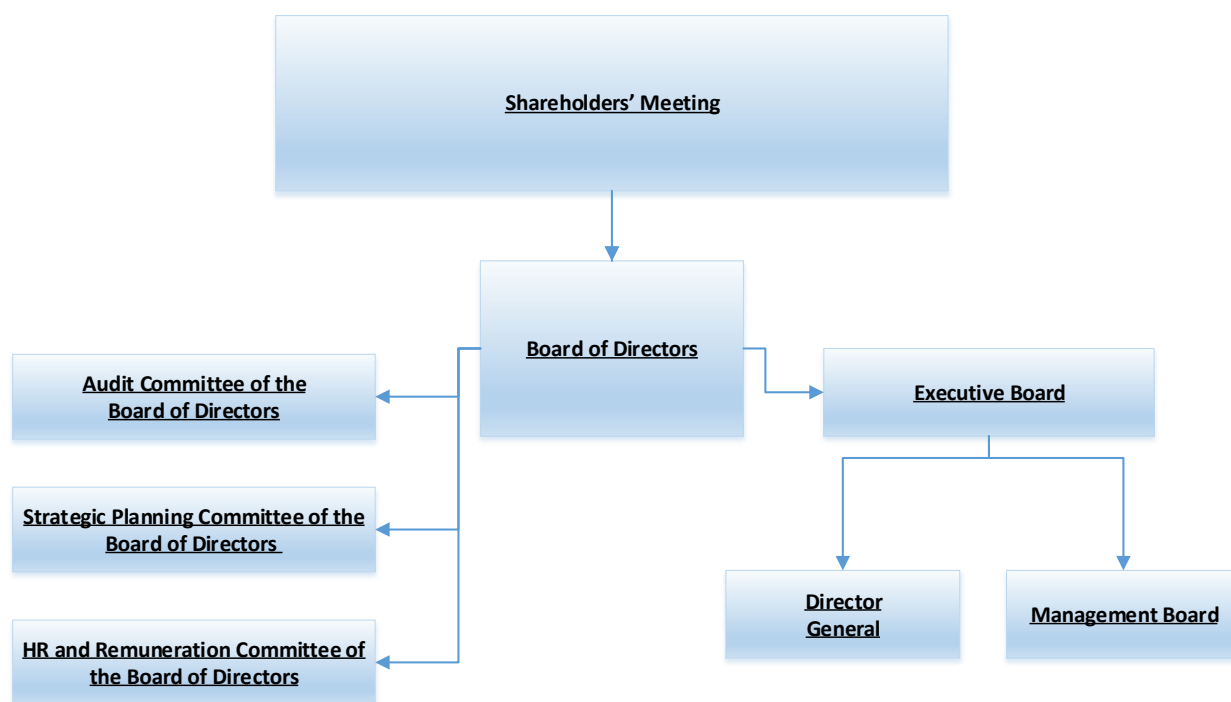
- Representation Office of Mechel, Public Joint Stock Company, in the Republic of Korea located at: 6th floor bld. "Jisang", Kangnam-Gu, Yongdeong str. 86gil 6 Daechi-dong Gangnam-gu, Seoul, South Korea, established on August 11<sup>th</sup> 2009.
- Representation Office of Mechel, Public Joint Stock Company, in Japan, located at: No. 302 Atagoyama Bengoshi Building 1-6-7 Atago Minato-ku, Tokyo 105-0002, established on September 24<sup>th</sup> 2009.

The Representation Offices are operating by virtue of the approved Regulation on Representation Offices. The following are the main tasks and functions of the Representation Offices:

- represent the interests of Mechel PAO related to foreign economic activities in the countries they are located;
- perform the monitoring of the way the economic situation in the countries they are located in influences the interests of the Company;
- participate in the work of the intergovernmental bodies of the Russian Federation establishing cooperation with the countries of the Asia-Pacific region (APAC) in the fields of commerce, science and technology;
- analyze the situation in the commodity and stock markets of APAC in the part of demand for the products of the Company as well as in the part of cost of its shares;
- provide support to the Company's delegations during business negotiations in the countries they are located.

## 2. GOVERNING BODIES OF THE COMPANY

The following is the structure of the governing bodies of Mechel PAO, in accordance with its Articles of Association:



### 2.1. General Shareholders' Meeting

General Shareholders' Meeting is the highest management body of the Company that makes decisions on the questions that are the most important for the Company operations.

The Regulation on the General Shareholders' Meeting of Mechel PAO (approved by resolution of the extraordinary General Shareholders' Meeting, Minutes No.2 dd. March 4<sup>th</sup> 2016) is in force in the Company.

#### *Annual General Shareholders' Meeting*

The Annual General Shareholders' Meeting of Mechel PAO was held on June 30<sup>th</sup> 2020 (MoM No. 1 dd. July 2<sup>nd</sup> 2020). The Agenda of the Annual General Shareholders' Meeting was as follows:

- 1) Distribution of profit, including payment (announcement) of dividends of the Company based on the results of financial year 2019;
- 2) Election of the members of the Board of Directors of the Company;
- 3) Approval of the auditor of the Company;
- 4) Approval of the new version of the Articles of Association of the Company;
- 5) Approval of the new version Regulation on the Board of Directors;
- 6) On ratification of further major transactions that are at the same time related party transactions.

## 2.2. Board of Directors

The Company Board of Directors shall be responsible for overall management of the Company business, except for the items referred to the authority of the Company General Shareholders' Meeting by Federal law On Joint Stock Companies, and the Company Articles of Association.

The Company's Board of Directors is subject to election by the General Meeting of the Company's shareholders by way of cumulative voting, thus guaranteeing protection of minority shareholders' rights.

Members of the Company's Board of Directors were elected in the number of 9 (nine) persons by the General Shareholders' Meeting of Mechel PAO on June 30<sup>th</sup> 2020, 5 (five) of these members are independent directors.

Regulation on the Board of Directors of Mechel PAO is in force in the Company (approved by resolution of the Annual General Shareholders' Meeting on June 30<sup>th</sup> 2020, Minutes No.1 dated July 2<sup>nd</sup> 2020).

### *Composition of the Board of Directors of the Company as of December 31st 2020:*

<b>Zyuzin Igor Vladimirovich</b> (Chairman of the Board of Directors)	<b>Year of birth:</b> 1960. <b>Education:</b> higher professional education. - Tula Polytechnic Institute, area of specialty – Underground mining technology and integrated mechanization of underground mining operations. - Postgraduate training program of Tula Polytechnic Institute. PhD in engineering. - Kuzbass Polytechnic Institute, area of specialty - Economics and Company Management in the fields of mining and geological prospecting), Mining engineer and economist. <b>Primary employment:</b> Chairman of the Board of Directors of Mechel PAO. <b>Stake in the authorized capital of the Company:</b> 19.86 %. <b>Owned stock of ordinary shares of the Company:</b> 26.47 %. <b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> no such transactions were performed <b>Participation in governing bodies of other companies:</b> member of the Board of Directors of Mechel Mining AO, Board Chairman of Mechel Mining AO (from July 2018).
<b>Korzhov Oleg Viktorovich</b> (BoD member)	<b>Year of birth:</b> 1970. <b>Education:</b> Higher professional education. - Urals Technical University named after Kirov (specialty: Economics and Management in Steel Industry); - The Russian Presidential Academy of National Economy and Public Administration (specialty: Management). PhD in Economics.

	<p><b>Primary employment:</b> Chief Executive Officer of Mechel PAO.</p> <p><b>Stake in the authorized capital of the Company:</b> 0.0026 %.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0.0024 %.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> During 2020, the number of shares of Mechel PAO owned by O. Korzhov increased by 4 213 preferred shares</p> <p><b>Participation in governing bodies of other companies:</b> BoD member of Mechel Mining AO.</p>
<p><b>Petrov Georgiy Georgievich</b> (independent BoD member)</p>	<p><b>Year of birth:</b> 1948.</p> <p><b>Education:</b> Moscow State Institute of International Relations of the Ministry of Foreign Affairs of the USSR.</p> <p><b>Primary employment:</b> Advisor on international affairs for the president of Chamber of Commerce and Industry of the Russian Federation</p> <p><b>Stake in the authorized capital of the Company:</b> 0 %.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0 %.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> no such transactions were performed.</p> <p><b>Participation in governing bodies of other companies:</b> no</p>
<p><b>Kotskiy Aleksandr Nikolaevich</b> (independent BoD member)</p>	<p><b>Year of birth:</b> 1957.</p> <p><b>Education:</b> Higher professional education. - Novosibirsk Institute of Railway Engineers, specialty - "Railway Engineer".</p> <p><b>Primary employment:</b> independent BoD member of Mechel PAO.</p> <p><b>Stake in the authorized capital of the Company:</b> 0.014%.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0.014%.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> During 2020 the number of shares of Mechel PAO owned by A. N. Kotsky increased by 19 300 ordinary shares and 1000 preferred shares.</p> <p><b>Participation in governing bodies of other companies:</b> no</p>
<p><b>Malyshev Yuri Nikolayevich</b> (independent BoD member)</p>	<p><b>Year of birth:</b> 1939.</p> <p><b>Education:</b> Higher professional education.</p>

	<p>- Kemerovo Mining Institute, specialty: "Development of mineral deposits, Mining engineer. Doctor of Engineering, professor, member of the Russian Academy of Sciences.</p> <p><b>Primary employment:</b> President of the Academy of Mining Sciences.</p> <p><b>Stake in the authorized capital of the Company:</b> 0 %.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0 %.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> no such transactions were performed.</p> <p><b>Participation in governing bodies of other companies:</b> independent BD member of Acron PAO, Hon. President and member of the Supreme Mining Council of the Non-profit Partnership "For mining industries of Russia", President of the Federal state budgetary institution "State Geology Museum of the Russian Academy of Sciences named after Vladimir Vernadsky".</p>
<p><b>Orischin Alexander Dmitrievich</b> (independent BoD member)</p>	<p><b>Year of birth:</b> 1932.</p> <p><b>Education:</b> Higher professional education. - Tomsk Polytechnic Institute and Moscow Mining Institute, specialty - "Development of mineral deposits"; - Moscow State Mining University. Mining Engineer (development of mineral deposits). PhD in engineering.</p> <p><b>Primary employment:</b> independent BoD member of Mechel PAO.</p> <p><b>Stake in the authorized capital of the Company:</b> 0 %.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0 %.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> no such transactions were performed.</p> <p><b>Participation in governing bodies of other companies:</b> no</p>
<p><b>Trigubko Victor Alexandrovich</b> (BoD member)</p>	<p><b>Year of birth:</b> 1956.</p> <p><b>Education:</b> Higher professional education. - Kalinin (now - Tver) State University, specialty - "Labor economics".</p> <p><b>Primary employment:</b> Deputy Vice President for Government Relations (from September 2020), Director of the Government Relations Direction of Mechel PAO (until September 2020).</p> <p><b>Stake in the authorized capital of the Company:</b> 0.00036 %.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0.00048 %.</p>

	<p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> no such transactions were performed.</p> <p><b>Participation in governing bodies of other companies:</b> no</p>
<p><b>Ipeeva Irina Nikolayevna</b> (BoD member)</p>	<p><b>Year of birth:</b> 1963.</p> <p><b>Education:</b> Higher professional education. - Kuibyshev State University, specialty – “Jurisprudence science”.</p> <p><b>Primary employment:</b> Deputy Chief Executive Officer for Legal Affairs.</p> <p><b>Stake in the authorized capital of the Company:</b> 0.00018 %.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0.0024 %.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> no such transactions were performed.</p> <p><b>Participation in governing bodies of other companies:</b> Member of the Board of Directors of Mechel Mining AO.</p>
<p><b>Shokhin Alexander Nikolaevich</b> (Deputy Chairman of the Board of Directors, independent BoD member)</p>	<p><b>Year of birth:</b> 1951.</p> <p><b>Education:</b> Higher professional education. - Lomonosov Moscow State University. Doctor of Economics, professor.</p> <p><b>Primary employment:</b> President of the all-Russian public association “Russian Union of Industrialists and Entrepreneurs”.</p> <p><b>Stake in the authorized capital of the Company:</b> 0 %.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0 %.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> no such transactions were performed.</p> <p><b>Participation in governing bodies of other companies:</b> President of the National Research University "Higher School of Economics"; BD member of Eurasia Drilling Company Limited; BD member of TMK PAO; BD member of Federal Corporation for SME development AO; Board member of the Chamber of Commerce and Industry of the Russian Federation; Supervisory Board member of Agency for Strategic Initiatives (ASI); Presidium member of Non-commercial partnership “National Board for Corporate Governance”; President of the all-Russian employers' association “Russian Union of Industrialists and Entrepreneurs”;</p>

	President of the all-Russian Public Organization “Russian Union of Industrialists and Entrepreneurs”; Chairman of the Board of Trustees of Non-commercial partnership “Russian-American Council for Business Cooperation” Member of Executive Council of the Russian-German Chamber of Commerce Trustee of Non-commercial partnership “Russian Council on International Affairs” Member of State Council of the Russian Federation Board member of the International Foundation for Public Interests
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Starting from January 1<sup>st</sup> 2020 until the date of the annual general shareholders meeting (June 30<sup>th</sup> 2020) the composition of the Board of Directors was as follows:

1. Korzhov Oleg Viktorovich;
2. Zyuzin Igor Vladimirovich;
3. Shokhin Alexander Nikolaevich;
4. Kotskiy Aleksandr Nikolaevich;
5. Malyshev Yuri Nikolayevich;
6. Orischin Alexander Dmitrievich;
7. Petrov Georgiy Georgievich;
8. Khachaturov Tigran Garikovich;
9. Trigubko Victor Alexandrovich.

#### ***Information on the activities of the Board of Directors of the Company***

25 meetings of the Board of Directors of Mechel PAO were held in 2020, 20 of them were held in form of absent voting and 5 of them were held in form of personal presence (joint attendance). More than 70 agenda points in total were considered during the above mentioned meetings.

The Board of Directors members I.V. Zyuzin, O.V. Korzhov, V.A. Trigubko, Yu.N. Malyshev, A.D. Orischin, took part in each of the Board of Directors meetings held in 2020. Where it was impossible for the BD members to be present in person at the BD meetings held in form of personal presence, they submitted their written opinions on the agenda points. Necessary quorum was achieved due to high attendance of the meetings by BD members during the accounting year for the purpose of decision making by agenda points. Decisions by the major part of the agenda points were made unanimously.

The questions related to the priority areas of the Company’s activities were considered by Board of Directors during the accounting year: business segments, risks and capital management strategies, internal control and audit, corporate governance, a Senior Independent Director was appointed to coordinate the work of independent directors, interact with the Chairman of the Board of Directors, communicate with shareholders through feedback forms posted on the Company's website on the Internet and the corporate secretary, cessation of powers of the Board members of the Company, election to the Board, prolongation of powers of the Chief Executive Officer of the Company, and etc.; management reports on the financial results of the Company, on compliance with the information policy, on corporate governance practice, on the ratification of related party transactions were heard, the new version of the Corporate Governance Code was approved, the Information Policy of Mechel PAO was approved, and the Company's Internal Audit Policy was approved and etc.

Based on the results of considering the issues of efficiency of the risk management and internal control system, the Board of Directors of the Company established that the system of risk management and internal control of the Company complies with the requirements of Russian

legislation and the recommendations of the Corporate Governance Code, it is effective and meets the needs of the Company. The Board of Directors approved the risk - appetite of the Company (MoM of the Board of Directors dated March 30, 2021)

### ***Specialized committees of the Board of Directors***

There are 3 (three) Committees operating in the Board of Directors of Mechel PAO:

- Audit Committee;
- Nominations and Compensation Committee;
- Investments and Strategic Planning Committee.

### **Audit Committee**

The permanent Audit Committee of the Board of Directors of Mechel PAO consists of 3 independent directors. The activities of the Audit Committee are regulated by Regulation on the Audit Committee of the Board of Directors of Mechel, Public Joint Stock Company (approved by resolution of the Board of Directors of Mechel PAO, MoM w/o number dd. May 19<sup>th</sup> 2016).

The main purpose of the Audit Committee is to facilitate effective performance of the functions of the Board of Directors in the part of control over the financial and operational activities of Mechel PAO, to work out recommendations as per questions within its competency and submit them to the Board of Directors.

The main tasks of the Audit Committee cover the following fields of the Company activities:

- Accounting and financial statements;
- Internal and external audit;
- Internal control;
- Prevention of frauds on the part of the Company employees and third parties.

More detailed information as per the tasks is contained in the Regulation on the Audit Committee of the Board of Directors.

Audit Committee members have experience and knowledge in the field of preparation, analysis, assessment and audit of book accounting statements and of IFRS financial statements.

The composition of the Audit Committee of the Board of Directors of Mechel PAO was approved on June 30<sup>th</sup> 2020 by resolution of the Board of Directors of Mechel PAO (Minutes dd. July 3<sup>rd</sup> 2020) as follows:

1. etrov Georgiy Georgievich – Committee Chairman;
2. Kotskiy Aleksandr Nikolaevich – Committee member;
3. Orischin Alexander Dmitrievich – Committee member.

Mr. Petrov was approved as the Financial Expert of the Audit Committee of the Board of Directors.

The composition of the Audit Committee of the Board of Directors of Mechel PAO did not change in 2020.

Audit Committee of the Board of Directors of Mechel PAO had 11 (eleven) meetings in 2020 (all of them were in form of conference calls) Questions within the competence of the Committee were discussed. Detailed information in respect of the questions considered is contained in the annual report of the Audit Committee.

The table below contains the information related to the participation of BD members in the work of the Audit Committee:



<b>Members of the Audit Committee of the Board of Directors</b>	<b>Independent director</b>	<b>Participation in the meetings</b>
Georgy G. Petrov - Chairman of the Audit Committee	+	11/11
Alexander N. Kotsky	+	10/11
Alexander D. Orischin	+	11/11

The number of meetings in which Audit Committee members could participate almost coincides with the number of the meetings in which Audit Committee members participated. That means that independent directors actively participated in the work of the Audit Committee.

### **Nominations and Compensation Committee**

The activities of the Nominations and Compensation Committee of the Board of Directors of the Company are regulated by Regulation on the Nominations and Compensation Committee of Mechel PAO (approved by resolution of the Board of Directors of Mechel PAO, MoM w/o number dd. May 19<sup>th</sup> 2016).

The purpose of the Committee is to consider and discuss the questions related to the creation of effective and transparent remuneration practices and preparation of recommendations in respect of decision making as per hiring and training the highly qualified specialists to be elected to the Board of Directors, collegial executive body (the Board) and to be appointed to the positions of the Chief Executive Officer, top management positions, heads of the Company's subsidiaries and associates as well as for assessment of their activities and the framework and amounts of their remuneration and recommendations as per the main principles of the HR policy and remuneration policy.

In view of the targets set, the following tasks are to be fulfilled by the Committee:

- ensure creation by the Company of an effective and transparent remuneration practice for members of the Board of Directors, members of the collegial executive body of the Company, its sole executive body and key management staff (top management and heads of the subsidiaries and associates of the Company);

- ensure succession and high professional and management level in case of change of members of the Board of Directors, members of the collegial executive body (the Board), Chief Executive Officer, top management, heads of subsidiaries and associates;

- ensure creation of the remuneration system for payment of remuneration to members of the Board of Directors, members of the collegial executive body (the Board), Chief Executive Officer, top management, heads of subsidiaries and associates of the Company with the consideration of the shareholders' interests, ensure the system is agreed with the Company's general policy of labour payment and with the remuneration level of other employees as well as to ensure its competitiveness and compliance with the existing law.

Committee members have experience and skills in the field of making decisions related to the creation of effective and transparent remuneration practices and preparation of recommendations in respect of decision making as per hiring and training the highly qualified specialists. They are competent in the questions related to HR policy, remuneration policy capable of stimulating efficient operation as well as related to social policy associated with assessment of the effectiveness of social programs and the compliance of the external and internal social policy to the strategic priorities of the Company.

The composition of the Nominations and Compensation Committee of the Board of Directors of Mechel PAO was approved on June 30<sup>th</sup> 2020 by resolution of the Board of Directors of Mechel PAO (MoM dd. July 3<sup>rd</sup> 2020) as follows:

1. Orischin Alexander Dmitrievich – Chairman of the Committee;
2. Georgy Georgievich Petrov – Committee member;
3. Malyshev Yuri Nikolayevich – Committee member.

The composition of the Nominations and Compensation Committee of the Board of Directors of Mechel PAO did not change in 2020.

There were 16 (sixteen) meetings of the Nominations and Compensation Committee of the Board of Directors of Mechel PAO in 2020.

The table below contains the information related to the participation of BD members in the work of the Audit Committee:

<b>Members of the Audit Committee of the Board of Directors</b>	<b>Independent director</b>	<b>Participation in the meetings</b>
Orischin Alexander Dmitrievich	+	16/16
Georgy Georgievich Petrov	+	16/16
Malyshev Yuri Nikolayevich	+	16/16

All of them were in form of conference calls in view of the novel coronavirus infection (COVID-19). The following are the most important questions that were considered by Nominations and Compensation Committee:

- Questions related to the status of implementation of Industrial agreements and to the Company's interactions with employers' associations and trade unions;
- Results of using the pay roll fund of the Company in 2019;
- The main payroll fund generation principles in 2020 for each production segment and for the Company in general;
- Plans for the payroll fund of the Company in 2020;
- Candidates for top management positions in the Company structures were considered and agreed;
- Implementation of projects aimed at increase of the Group personnel management efficiency was reviewed;
- Implementation of the Group structures standardization was reviewed;
- generation of the Group centralized corporate candidates pool was reviewed;
- the procedure for the assessment of the work of the Board of Directors, Committees of the Board of Directors of Mechel PAO was considered;
- recommendations for the shareholders voting were worked out in respect of electing candidates to the Board of Directors of Mechel PAO;
- questions to be included into the plan of work for the Nominations and Compensation Committee of the Board of Directors of Mechel PAO for 2020-2021.
- work and cooperation in terms of current issues associated with the Board of Directors Committees, sub-committees, subdivisions and leading Company specialists.

### **Investments and Strategic Planning Committee**

The activities of the Investments and Strategic Planning Committee are regulated by Regulation on the Investments and Strategic Planning Committee of the Board of Directors of the Company (approved by resolution of the Board of Directors of the Company, MoM w/o number dd. August 6<sup>th</sup> 2007).

The purpose of the Investments and Strategic Planning Committee is a preliminary qualified discussion and preparation of questions related to the strategic planning of the main areas of the Company's activities as well as to building up an investment policy that would be able to ensure fulfillment of the targets set and to submit such questions to the Board of Directors of the Company for consideration.

In view of the targets set the following tasks are to be fulfilled by the Committee:

- perform preliminary assessment and preparation, as the case may be, of the opinion in respect of the drafts of long-term programs of the main production segments technical and production development designed by executive bodies and subject for consideration by the Company Board of Directors;
- work out proposals in respect of the strategy for the development of the Mining, Steel and Power production segments and their production infrastructure and submit such proposals to the Board of Directors of the Company for consideration;
- analyze investment opportunities of the Company and work out proposals in respect of creation of a long-term balanced program of capital investments for the priority areas of the Company's activities;
- arrange within its competence the interactions between the Board of Directors and Management bodies of the Company;
- monitoring and control over the execution of the decisions of the Board of Directors in respect of the questions within its competence.

Committee members have experience and knowledge in the field of management of financial and operational activities, analysis of investment opportunities, investment activities management and creation of long-term programs of capital investments, working out respective investment policy for the purpose of implementation of the Company development strategy.

There were changes in the composition of the Investments and Strategic Planning Committee in 2020.

The composition of the Investments and Strategic Planning Committee of the Board of Directors of Mechel PAO was approved on June 30<sup>th</sup> 2020 by resolution of the Board of Directors of Mechel PAO (MoM dd. July 3<sup>rd</sup> 2020) as follows:

1. Malyshev Yuri Nikolayevich – Committee Chairman;
2. Alexander D. Orischin – Committee member;
3. Alexander N. Kotsky – Committee member;
4. Oleg V. Korzhov – Committee member.

The Investments and Strategic Planning Committee of the Board of Directors of Mechel PAO consists of the **following approved subcommittees**:

**- Subcommittee for Steel Segment Strategy:**

1. Orischin Alexander Dmitrievich – Head of the Subcommittee;
2. Korzhov Oleg Viktorovich – Subcommittee member;

**- Subcommittee for Mining Segment Strategy:**

1. Malyshev Yuri Nikolayevich – Head of the Subcommittee;
2. Alexander N. Kotsky – Subcommittee member.

The Investments and Strategic Planning Committee of the Board of Directors of Mechel PAO had 3 (three) meetings in 2020 (two meetings in absentia and one meeting in form of video conference).

The table below contains the information related to the participation of BD members in the work of the Audit Committee:

Members of the Audit Committee of the Board of Directors	Independent director	Participation in the meetings
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Orischin Alexander Dmitrievich	+	3/3
Korzhov Oleg Viktorovich	+	3/3
Malyshev Yuri Nikolayevich	+	3/3
Alexander N. Kotsky	+	3/3

The following are the most significant questions that were discussed by Committee:

- Preliminary results of the Company's financial and operational activities in 2019;
- 2019 Investment Program completion status;
- Results of the activities of the production Segments and the Company in 2019, programs of the Segments production and financial development in 2020, analysis of 2019 Investment program fulfillment and plans for 2020;
- Report on the status of implementation of the Universal Structural Mill project at CMP and on the results achieved;
- Report on the status of implementation of the project "Technical re-equipment of Port Posiet" and on the results achieved;
- Report on the achieved performance indicators under the project "Stranded wire rope industry engineering";
- Report on "SPK modernization" completion status;
- Consideration of the project of Southern Kuzbass PAO "Final extraction of coal reserves of Lenina Mine with the inclusion of the coal reserves of divisions "Granichny" and "Field of Olzherasskaya Mine" into the development;
- increasing the cargo turnover in Port Posiet;
- Status of the development of the project of construction of a co-generation plant at BMP and of a GPU at Urals Stampings Plant;
- Questions to be included into the 2020-2021 Plan of Work for the Investments and Strategic Planning Committee of the Board of Directors of Mechel PAO.

The following are the results of the consideration of the above mentioned questions:

- It was recommended to submit the reports on the results of the Segments work in 2019, the programs of the production and financial development of the Segments for 2020, analysis of 2019 Investment program implementation and plans for 2020 to the Board of Directors for consideration;
- Results of the investment activities of the Company for HY 1 of 2020 and forecasted capital expenses for HY 2 of 2020 were discussed and approved;
- Reports on strategical investment projects (implementation status and the results achieved) were discussed and approved;
- the project of Southern Kuzbass PAO "Final extraction of coal reserves of Lenina Mine with the inclusion of the coal reserves of divisions "Granichny" and "Field of Olzherasskaya Mine" into the development was recommended for the approval of the Board of Directors of Mechel PAO;
- In respect of the the project of construction of a co-generation plant at BMP and of a GPU at Urals Stampings Plant it was recommended to pass through all necessary approval procedures prescribed by regulations of Mechel PAO before concluding contracts with the investor;
- It was decided to include in the plan of work of the Committee for March – April 2021 the report of the Director of the Mining segment on the achievement of the planned effect from using contracting agencies, positive and negative aspects of using them and financing the operations of such contracting agencies;
- The 2020-2021 Plan of Work for the Investments and Strategic Planning Committee of the Board of Directors of Mechel PAO was approved.
- Forecasts for the Company financial and operational activities for 2020, status and analysis of the Investment Programs implementation were presented and approved for being submitted to the Board of Directors for consideration;

The Committee and Expert sub-committees focused on the most important investment projects during the accounting period. The following was implemented within the investment activities:

- Reconstruction of coke-oven battery No.8 was completed at Mechel Coke;
- The following was put into operation at Southern Kuzbass Coal Company:
  - Sibirginskaya Mine:
    - Multifunctioned safety system
    - Upgrading of the nitrogen unit MBA-1,6 was completed
  - Lenina Mine:
    - Shearer FS-300/1.0
    - Multifunctioned safety system
- The following was put into operation at Yakutugol:
  - Mobile Manufacturing Unit for the transportation of components and production of EEMs – 2 units
  - Screen “Schenk” – 3 units
  - Centrifuge AURY WRSL 1400 – 3 units
  - Electric driven pump 14/12 G-AJ – 3 units, 8/6 F-AJ - 7 units
- The following was put into operation at Korshunov Mining Plant :
  - BelAZ-75131 - 3 units (received under leasing agreements).
  - Drilling machine CBIII - 1 unit.

The upgrading of the washing plants of Korshunov Mining Plant, Southern Kuzbass and Yakutugol is still in progress.

- Chelyabinsk Metallurgical Plant:

- Converter No.1 was upgraded (alongside with the capital repair of Blast Furnace 4 it is a part of the quadruple environmental agreement concluded by Mechel with the RF Ministry of Natural Resources, Federal Service for Supervision of Natural Resources and the Government of Chelyabinsk region and is included into the list of environmental activities within Federal program “Pure Air”).

- Upgrading of the quenching for mills 240, 250, 300 was continued.

- BFP OOO:

- Technical re-equipment of electric ore smelting furnace 3 was completed (as a result the power capacity of the electric ore smelting furnace for the smelting of ferroalloys was increased from 25 MVA to 33 MVA).

BMP:

- The upgrading of the production of steel and wire ropes is in progress (BMP AO is to comply with the requirements prescribed by environmental legislation in the part of decreasing the LOC of waste discharge to the river Belaya by way of installing the mechanical descaling equipment and closing of the annealing rooms as well as increasing the share of high carbon products that are more marginal).

Mechel Energo continues the implementation of the following:

- activities aimed at shifting the Group consumers of electric power from Guaranteed suppliers to Mechel Energo and wholesale electricity market.

- electric power consumption reduction program that is to be economically efficient and promising.

Southern Kuzbass Power Plant:

- Technical re-equipment of boiler No.9 with the replacement of the dust extraction plants and economizer is in progress,

- Technical re-equipment of boiler No.4 with the replacement of the dust extraction plant was started,
- The works related to the upgrading of turbine-generator No.2 with the replacement of the generator were started.

The Committee and its Sub-committees are working in close cooperation with the interested subdivisions, leading specialists and certain Group enterprises.

### *Assessment of the activities of the Board of Directors of the Company*

Independent consultant JSC IRC R.O.S.T. (hereinafter the “Consultant”) was invited by Company to assess the work of the Board of Directors in 2019.

Based on the results of the analysis performed it was concluded by Consultant that all the directors have necessary knowledge and experience making them capable of making reasonable and weighted decisions in respect of the majority of the questions within the competence of the Board of Directors.

The knowledge and experience of the directors ensure that the Board of Directors has all necessary competencies.

The Consultant concluded that all the directors have a positive business and personal reputation. In view of the above, it is possible for the Board of Directors to effectively perform all its duties. The approach of the Company in respect of nomination and election of its directors is in compliance with the Code and the best practices of corporate governance.

Self-assessment was performed by Board of Directors in 2020 by way of questioning the BD members and data processing in a generalized and anonymized form.

The assessment procedure was performed in respect of the Board of Directors and Committees of the Board of Directors in general, as well as in respect of the Chairman of the Board of Directors.

The assessment was performed in compliance with the Regulation on the assessment of the activities of the Board of Directors, Committees of the Board of Directors of Mechel PAO for the purpose of getting weighted information on the activities of the Board of Directors, Committees of the Board of Directors, Chairman of the Board of Directors of the Company.

The major part of the Board of Directors, including independent directors, took part in the questioning.

The major part of the Board of Directors effectively take part in the work of the Board of Directors, are active as team workers and each individually contribute to the effective work of the Board of Directors.

The assessors believe that the Board of Directors is objective when setting the main targets for the Company’s operations for the long run. The work of the Board of Directors is aimed at the achievement of the targets set and is in compliance with the legislation requirements and the majority of the recommendations of the Bank of Russia in respect of the questions related to corporate governance.

In the part of assessment of the work of the Committees of the Board of Directors it was recognized that their work was quite effective, their composition is balanced and corresponds to their tasks.

The performance of the Chairman of the Board of Directors was highly appreciated by all BD members and recognized as effective.

The list of aspects that need to be improved and paid more attention to was generated within the self-assessment procedure.

### 2.3. Chief Executive Officer and the Management Board

The system of executive bodies of the Company includes the Management Board - collegial executive body and CEO - sole executive body of the Company that manage current activities of the Company and report to the General Shareholders' Meeting and the Company Board of Directors.

Procedure of appointment and formation of executive bodies of the Company, principles and procedure of their activities are established in the Regulation on the Collegial Executive Body (Management Board) (approved by Annual General Shareholders' Meeting of the company, MoM No.1 dd. June 9<sup>th</sup> 2011) and the Regulation on the Sole Executive Body (CEO) (approved by Annual General Shareholders' Meeting of the company, MoM No.1 dd. June 9<sup>th</sup> 2011).

#### *Sole executive body of the Company*

The Company's Chief Executive Officer is a permanent Sole Executive Management Body responsible primarily for day-to-day operations to ensure the Company's profitability as well as protect the rights and legitimate interests of the Company's shareholders. The Chief Executive Officer acts within the scope of its competency and reports to the Company's Board of Directors and General Shareholders' Meeting.

Chief Executive Officer shall be appointed by Board of Directors for the period of 1 (one) year.

Korzhov Oleg Viktorovich was appointed Chief Executive Officer of Mechel PAO based on resolution of the Board of Directors dd. December 20<sup>th</sup> 2019 (Minutes dd. December 20<sup>th</sup> 2019). He assumed office on January 1st 2020.

#### *Information on the Chief Executive Officer of the Company:*

<b>Korzhov Oleg Viktorovich</b> (BoD member, Chairman of the Board of Mechel PAO)	<b>Year of birth:</b> 1970. <b>Education:</b> Higher professional education. - Urals Technical University named after Kirov (specialty: Economics and Management in Steel Industry); - The Russian Presidential Academy of National Economy and Public Administration (specialty: Management). PhD in Economics. <b>Primary employment:</b> Chief Executive Officer of Mechel PAO. <b>Stake in the authorized capital of the Company:</b> 0.0026 % <b>Owned stock of ordinary shares of the Company:</b> 0.0024 %. <b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> During 2020, the number of shares of Mechel PAO owned by O. Korzhov increased by 4 213 preferred shares <b>Participation in governing bodies of other companies:</b> BoD member of Mechel Mining AO.
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#### *Collegial executive body of the Company*

The Company's Management Board is in charge of day-to-day management of Mechel PAO operations: it is to defy the methods of implementation of the Company development strategy, supervise the implementation of investment projects, generate proposals related to the incentives

for the Company's staff, and address (on a preliminary basis) the matters reserved for the decision by the Company's Board of Directors.

The current composition of the Management Board was established by resolution of the Board of Directors of Mechel PAO on August 19<sup>th</sup> 2020 (MoM of the Board of Directors of Mechel PAO w/o number dd. August 21<sup>st</sup> 2020).

The following is the information on the members of the Management Board as of December at December 31<sup>st</sup> 2020:

<p><b>Korzhov Oleg Viktorovich</b> (Chairman of the Management Board)</p>	<p><b>Year of birth:</b> 1970.</p> <p><b>Education:</b> Higher professional education. - Urals Technical University named after Kirov (specialty: Economics and Management in Steel Industry); - The Russian Presidential Academy of National Economy and Public Administration (specialty: Management). PhD in Economics.</p> <p><b>Primary employment:</b> Chief Executive Officer of Mechel PAO.</p> <p><b>Stake in the authorized capital of the Company:</b> 0.0026 %</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0.0024 %.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> During 2020, the number of shares of Mechel PAO owned by O. Korzhov increased by 4 213 preferred shares</p> <p><b>Participation in governing bodies of other companies:</b> BoD member of Mechel Mining AO.</p>
<p><b>Galeeva Nelli Rafailovna</b> (member of the Management Board)</p>	<p><b>Year of birth:</b> 1973.</p> <p><b>Education:</b> higher professional education. - Kuzbass State Technical University, specialty - "Accounting and audit"; - Kemerovo State University, specialty - "Banking and Finance".</p> <p><b>Primary employment:</b> Deputy Chief Executive Officer for Economics and Finance – Direction Director of Mechel PAO.</p> <p><b>Stake in the authorized capital of the Company:</b> 0 %.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0 %.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> During 2020, the number of Nelli R. Galeeva's shares of Mechel PAO increased by 3 248 ordinary shares</p> <p><b>Participation in governing bodies of other companies:</b> BoD member of Mechel Mining AO</p>
<p><b>Ipeeveva Irina Nikolaevna</b> (member of the Management Board)</p>	<p><b>Year of birth:</b> 1963.</p> <p><b>Education:</b> Higher professional education.</p>



	<p>- Kuibyshev State University, specialty – “Jurisprudence science”.</p> <p><b>Primary employment:</b> Deputy Chief Executive Officer for Legal Affairs - Direction Director of Mechel PAO.</p> <p><b>Stake in the authorized capital of the Company:</b> 0.00018 %.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0.0024 %.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> no such transactions were performed.</p> <p><b>Participation in governing bodies of other companies:</b> Member of the Board of Directors of Mechel Mining AO.</p>
<p><b>Sheverdin Valery Anatolievich</b> (member of the Management Board)</p>	<p><b>Year of birth:</b> 1963.</p> <p><b>Education:</b> higher professional education. - Russian Federal Security Service’s Moscow Military Institute for Border Troops, degree in law; - Higher Military Command School for Artillery in Kolomna.</p> <p><b>Primary employment:</b> Deputy Chief Executive Officer for Security - Direction Director of Mechel PAO.</p> <p><b>Stake in the authorized capital of the Company:</b> 0 %.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0 %.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> no such transactions were performed.</p> <p><b>Participation in governing bodies of other companies:</b> no.</p>
<p><b>Silayeva Ekaterina Alexandrovna</b> (member of the Management Board)</p>	<p><b>Year of birth:</b> 1975.</p> <p><b>Education:</b> Higher professional education. - State University of Management with a qualification as economist-mathematician. - The Academy of National Economy of the Russian Federation Government, MBA degree.</p> <p><b>Primary employment:</b> Deputy Chief Executive Officer for Human Resources - Direction Director of Mechel PAO.</p> <p><b>Stake in the authorized capital of the Company:</b> 0 %.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0 %.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> no such transactions were performed.</p> <p><b>Participation in governing bodies of other companies:</b> no</p>
<p><b>Trigubko Victor Alexandrovich</b> (member of the Management Board)</p>	<p><b>Year of birth:</b> 1956.</p> <p><b>Education:</b> Higher professional education. - Kalinin (now - Tver) State University, specialty - "Labor economics".</p>

	<p><b>Primary employment:</b> Deputy Chief Executive Officer for Government Relations - Director of the Government Relations Directorate (from September 2020)</p> <p><b>Stake in the authorized capital of the Company:</b> 0.00036 %.</p> <p><b>Owned stock of ordinary shares of the Company:</b> 0.00048 %.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> no such transactions were performed.</p> <p><b>Participation in governing bodies of other companies:</b> no.</p>
<p><b>Voytkus Dmitry Sergeevich</b></p> <p>(member of the Management Board)</p>	<p><b>Year of birth:</b> 1986.</p> <p><b>Education:</b> Higher professional education. - Ural State Technical University, degree in innovation management</p> <p><b>Primary employment:</b> Deputy Chief Executive Officer for Financial Control of Mechel PAO</p> <p><b>Stake in the authorized capital of the Company:</b> no.</p> <p><b>Owned stock of ordinary shares of the Company:</b> no.</p> <p><b>Information on transactions related to the acquisition or alienation of shares in the accounting period:</b> no such transactions were performed.</p> <p><b>Participation in governing bodies of other companies:</b> no.</p>

During the period from January 1<sup>st</sup> 2020 until June 15<sup>th</sup> 2020 the composition of the Management Board was as follows:

Oleg V. Korzhov – Chairman of the Management Board  
Nelli R. Galeeva – member of the Management Board  
Natalia O. Trubkina – member of the Management Board  
Irina N. Ipeeva – member of the Management Board  
Valery A. Sheverdin – member of the Management Board  
Minas A. Darbinyan – member of the Management Board  
Viktor A. Trigubko – member of the Management Board

Since June 15<sup>th</sup> 2020 until August 19<sup>th</sup> 2020 the composition of the Management Board has been as follows:

Oleg V. Korzhov – Chairman of the Management Board  
Nelli R. Galeeva – member of the Management Board  
Irina N. Ipeeva – member of the Management Board  
Valery A. Sheverdin – member of the Management Board  
Dmitry S. Voytkus – member of the Management Board  
Viktor A. Trigubko – member of the Management Board

***Information on the Corporate Secretary:***

Corporate Governance and Property Department is a structural subdivision of the Company performing the functions of the Corporate Secretary of the Company.

The following are the above mentioned functions, in accordance with the Regulation on the Corporate Governance and Property Department (in new edition) approved by resolution of the Board of Directors of the Company dd. December 10th 2020:

- Participate in the improvement of the issuer's corporate governance system and practices;
- Participate in the organization and preparation of the general meetings of the issuer's shareholders;
- Ensure the work of the Board of Directors and of the Committees of the Board of Directors;
- Participate in the implementation of the issuer's policy related to information disclosure as well as ensure the storage of issuer's corporate documentation;
- Ensure interactions between the issuer and its shareholders;
- Participate in the work related to the prevention of corporate conflicts;
- Ensure implementation by issuer of the procedures prescribed by legislation and by issuer's local regulatory bylaws to satisfy the rights and the legitimate interests of shareholders and ensure control over the execution of such procedures;
- Ensure interactions of the issuer with regulatory authorities, traders, registrar, other professional securities traders within the powers of the Corporate Secretary;
- immediately inform the Board of Directors of all the revealed violations of legislation as well as of the provisions of the local by-laws of the Company compliance with which is in the domain of the responsibilities of the Corporate Secretary of the Company.
- control over compliance with the Information Policy of the Company.

It was resolved by Board of Directors of the Company on September 28<sup>th</sup> 2016 (Minutes w/o number dd. September 30<sup>th</sup> 2016) to appoint Olga A. Yakunina the Director of Corporate Relations and Property Department of Mechel PAO (in September 2020 it was renamed to the Corporate Governance and Property Department).

Olga A. Yakunina continued to perform her duties of managing the division that performs the functions of the Corporate Secretary Mechel PAO in 2020.

The Director of Corporate Governance and Property Department shall report to and is functionally subordinated to the Board of Directors of the Company and is administratively subordinated to the Chief Executive Officer, which provides a due level of independency.

***Yakuninal Olga Anatolievna***

**Year of birth:** 1977.

**Education:** Higher professional education.

- State Technical University of Kuzbass (KuzSTU), Kemerovo, specialty: Book accounting and Audit;
- Russian Foreign Trade Academy (RFTA), Moscow, degree in law.

**Primary employment:** Director of Corporate Governance and Property Department of Mechel PAO.

**Stake in the authorized capital of the Company:** 0 %.

**Owned stock of ordinary shares of the Company:** 0 %.

**Information on transactions related to the acquisition or alienation of shares in the accounting period:** no such transactions were performed.

**Participation in governing bodies of other companies:** no.

### 3. COMPANY INFORMATION AND POSITION IN THE INDUSTRY

The main type of the Company business is the provision of consultancy services to the business entities in the authorized capital of which the Company participates directly or through third parties. Nevertheless, the situation in the main businesses of such entities (mining and steel businesses) has a direct impact upon the results of the business of the Company.

Besides, the economic situation in Russia and throughout the world has a great influence on the Company's activities.

Russian GDP in 2019 grew by 2.0%. The pandemics and related restrictions as well as falling oil process resulted in adverse economic conditions in 2020. A 1.4% growth in Q I was followed by 7.8% reduction in Q II, 3.5% in Q III and 1.8% growth in Q 4. The year-on-year reduction was 3%.

In 2019 the Industrial Production Index grew by 3.4%. In 2020 it fell by 2.6%. The dynamics of the Industrial Production Index is consistent with the general economic trends.

Steel products consumption in the Russian Federation increased in 2019 by 5.98%. The main driver for such significant growth in steel products consumption in 2019 was the growing demand from construction industry (developers were striving to accomplish the necessary completion thresholds by July 1st in order to be able to continue getting funds under the old scheme, and therefore the demand for rolled steel products grew drastically in the first half-year). In 2020 the consumption shrank by 5.77% because of pandemic related restrictions and overall slow-down in the economic activity.

Despite the adverse economic conditions of recent years, the Russian steel industry retains a high level of competitiveness due to the relatively low costs of production, improved technology, efficient management of products production and sales.

Development of the market situation in future will depend on the balance of supply and demand in the industry, which depends on demand from metallurgical companies, as well as the implementation of strategic plans of the world's biggest manufacturers.

The tendencies in the market of mining and selling of iron ore, ferrosilicon and other products of the mining industry coincide with those of the steel market.

In 2020 all enterprises of the Mechel mining segment sold 5.62 million tons of coking coal concentrate, 3.09 million tons of coal for steel industry (anthracites and coal for PCI), 4.02 million tons of steam coal, 2.16 million tons of iron ore concentrate and 2.63 million tons of coke. According to Central Dispatching Department of the Fuel and Energy Complex, the Company's share in the production of coking coal in the Russian Federation in 2020 amounted to 17.74%

The steam coal market is regulated by such main factors as consumption by power generating companies, the ratio of demand and supply of coal, changes in tariffs, and seasonality. According to Metal Expert, the volume of steam coal production in the Russian Federation in 2020 decreased by 10.4% as compared to the previous year and amounted to 292.0 million tons at the end of the year.

In 2020 the total production of all enterprises of the Mechel steel segment amounted to 3.53 million tons of pig iron and 3.65 million tons of steel. 3.0 million tons of rolled products, 556 thousand tons of steel ware products, and 63 thousand tons of ferrosilicon were sold.

According to the Metal-Courier News Agency, Mechel's share in the production of rolled products in the Russian Federation in 2020 2019 amounted to 4.5%.

In 2020 the Group's consolidated revenue amounted to RUB 265.5 bn rubles, net profit attributable to Mechel shareholders amounted to 0.8 bn rubles, and consolidated adjusted EBITDA amounted to 41.1 bn rubles (as per IFRS).

The Group operations are represented by the following three Segments:

- **Steel Segment:** it includes production and sales of steel semi-finished goods, rolled products from carbon steel and specialty steels, steel products of various shaped profiles, including stamping and forging, steel ware, rails and ferrosilicon.

- **Mining Segment:** it includes mining and sales of coal (coking coal and steam coal) and by-product, coke and chemical by-products and chemicals, iron ore, provision of the Steel and Power Segments with raw materials as well as selling big volumes of raw materials to third parties.

- **Power Segment:** it includes generating and sales of electric and thermal power, provision of the Steel and Mining Segments with electric and thermal power as well as partial sales of electric and thermal power to third parties. The above mentioned Segments embrace multiple subsidiaries, at that each Segment has its own management and offers various products and services.

#### **4. PRIORITY BUSINESSES**

In accordance with the Articles of Association of Mechel PAO, the main purpose of the Company's activities is making profit as well as satisfying the demand of legal and physical persons for products (works, services) produced (rendered, provided) by Company to full extend and with due quality.

The following are the activities that the Company may perform:

- investments into securities;
- business management of coal mining and processing;
- business management of metallurgical production;
- business management of retail and wholesale trade of steel products, coal products and other products;
- procurement and sales;
- organization of manufacturing and sales of products, retail and wholesale trade;
- equipment and material procurement and sales management;
- market research, consulting in marketing management;
- consulting in financial management of enterprises, design of accounting systems, production cost accounting programs, budget and management control procedures and other types of activities.

**The priority areas of the Company activities are as follows:**

- information and consulting services;
- investments into securities;
- market research, consulting in marketing management;
- consulting in financial management of enterprises, design of accounting systems, production cost accounting programs, budget and management control procedures and other types of activities;
- advising on human resources management;
- advising on efficiency and control planning, organization and assurance;
- advising on accounting and taxation, business operations and enterprise management;
- provision of trademarks for usage under licensing agreements.

The shareholder value growth is the main criterion for choosing the priority areas of the Company activities and justifying investments.

***Profit in form of dividends in the amount of 7,601,100 thousand rubles was gained by Mechel PAO in 2020 from investments in securities, including:***

<b>Issuer of shares (stakes)</b>	<b>Amount of dividends in 2020 (thousand rubles)</b>
<b>Mechel Business Service OOO</b>	<b>4,220,000.00</b>
<b>Mechel Engineering OOO</b>	<b>20,800.00</b>
<b>Mechel Materials OOO</b>	<b>388,200.00</b>
<b>Mecheltrans OOO</b>	<b>2,967,300.00</b>
<b>Ekos Plus OOO</b>	<b>4,800.00</b>
<b>TOTAL</b>	<b>7,601,100.00</b>

#### **Important tasks to be faced by Company. Strategic purposes of the Company.**

Our purpose is to become a leading producer of metal coals and steel products through using the potential of vertical integration and ensuring the maximum possible synergy between our production assets that are at the base of the business model. Our strategy is aimed at generating the maximum benefit from our mining and steel assets. We plan to focus upon the improvement of the effectiveness and upgrading of the segments of our business that we expect to improve the overall profitability of our business.

While focusing on improving efficiency of our core businesses, we may also consider selectively disposing of assets to minimize possible costs as well as to attract financial or strategic investors to our core assets in order to reduce our debt load and contribute to business development.

#### **5. REPORT OF THE BOARD OF DIRECTORS ON THE RESULTS OF THE COMPANY DEVELOPMENT BY PRIORITY BUSINESSES OF THE COMPANY**

Mining, steel, power, logistics and sales enterprises of Mechel are operating as a single production chain and form a single vertically integrated production complex having multiple cooperation ties. Some part of the products is sold in the market; another part serves as raw materials for the production of high added value products.

Programs for the Company development are considered and approved by Board of Directors of the Company on an annual basis.

The consolidated EBITDA of the Group in 2020 decreased by 23% vs 2019. About 60% of the revenues decrease account for the Mining segment. The reason for such revenues decrease were falling prices for coal products as compared to the previous year. Other segments showed positive dynamics year on year.

The consolidated revenues of the Group in 2020 amounted to 265.5 billion rubles, net profit attributable to Mechel shareholders was 0.8 billion rubles, and consolidated adjusted EBITDA was 41.1 billion rubles (according to IFRS). The decrease in revenue and net profit in 2020 is primarily due to a decrease in sales prices.

In 2019 the Group's consolidated revenue was RUB 296.6 billion, net profit attributable to Mechel shareholders was RUB 2.4 billion, and consolidated adjusted EBITDA was RUB 53.4 billion (according to IFRS). The decrease in revenue and net profit in 2019 is primarily due to a decrease in sales prices.

In 2018 the Group's consolidated revenue was RUB 312.6 billion, net profit attributable to Mechel shareholders was RUB 12.6 billion, and consolidated adjusted EBITDA was RUB 75.7 billion (according to IFRS). The growth of revenue and net profit in 2018 is primarily due to an increase in sales prices.

As of December 31<sup>st</sup> 2020 the Group's total liabilities exceeded its total assets by 230.7 billion rubles.

As of December 31<sup>st</sup> 2019, the Group's total liabilities exceeded its total assets by 233.6 billion rubles.

As of December 31<sup>st</sup> 2018 г. the Group's total liabilities exceeded its total assets by 233.2 billion rubles.

As of December 31<sup>st</sup> 2020 the Group's net debt, excluding fines and penalties for overdue debt, amounted to 325,6 billion rubles.

As of December 31<sup>st</sup> 2019 the Group's net debt, excluding fines and penalties for overdue debt, amounted to 448.7 billion rubles.

As of December 31<sup>st</sup> 2018 the Group's net debt, excluding fines and penalties for overdue debt, amounted to 467.7 billion rubles.

The accounts payable of Mechel PAO as of December 31<sup>st</sup> 2020 amounted to 288,124,342 thousand rubles, including:

Indicator	Accounts payables (thous. rub.)		
	As of December 31 <sup>st</sup> 2020	As of December 31 <sup>st</sup> 2019	As of December 31 <sup>st</sup> 2018
<b>Borrowed funds, including</b>	<b>286,269,842</b>	<b>275,414,813</b>	<b>268,684,169</b>
<b>Long-term liabilities, including</b>	<b>276,531,252</b>	<b>219,290,221</b>	<b>260,648,190</b>
credits	-	21,100,292	36,720,237
loans	276,531,252	198,189,929	223,927,953
<b>Short-term liabilities, including</b>	<b>9,738,590</b>	<b>56,124,592</b>	<b>8,035,979</b>
credits	-	10,888,170	223,748
loans	9,738,590	45,236,422	7,812,231
<b>Payables, including</b>	<b>1,854,500</b>	<b>851,097</b>	<b>1,661,660</b>
Payables to suppliers and contractors	114,207	121,940	125,571

Taxes and payables to state non-budgetary funds	1,508,662	362,360	161,759
Payables to the personnel	19,862	20,583	17,602
other	211,769	346,214	1,356,728

Accounts receivables of Mechel PAO as of December 31<sup>st</sup> 2020 amounted to 13,343,920 thousand rubles, including:

Indicator	Accounts receivables (thousand rubles)		
	As of December 31 <sup>st</sup> 2020	As of December 31 <sup>st</sup> 2019	As of December 31 <sup>st</sup> 2018
Accounts receivables, including	13,343,920	7,996,092	2,275,740
Long-term receivables, including	2,244,890	108	1,435,911
other	2,244,890	108	1,435,911
Short-term receivables, including	11,099,030	7,995,984	839,829
Trade receivables	436,669	109,032	131,494
Budget settlements	16,067	10,970	42,595
Other receivables	10,646,294	7,875,982	665,740

### **Environmental aspects of the Company's activities**

Improvement of the environmental situation is one of the priorities for the Russian Federation. Strengthening of the environmental legislation is a significant factor of the governmental policy and of the work of the supervisory and regulatory authorities.

In view of the above, an agreement on reducing pollutants emission to the atmosphere were concluded by Mechel Group with the RF Ministry of Natural Resources, Federal Service for Supervision of Natural Resources and the Governments of Chelyabinsk and Irkutsk regions within Federal project “Pure air”. The implementation timelines of the environmental program are up to 2024 and the investments are exceeding 10.5 billion rubles. As a result of this program the emissions will be reduced by 14.2 thousand tons per year.

The Group is striving to objectively estimate and minimize the environmental risks and therefore initiated the conclusion of the additional agreement on implementation of respective measures to reduce its air pollutant emissions. Such updated list of measures is planned until 2026, the planned investments exceed 3 billion rubles. Implementation of the measures under the additional agreement will make it possible to reduce the pollutants emission by 433 tons per year, 330 tons out of which account for the substances of hazard class I, II and III.

Alongside with the measures aimed at reducing the air pollutant emissions the Company also concluded an agreement on reducing its emissions to the water body with the Government of



Chelyabinsk region and worked out respective measures that will make it possible to reduce its water emissions by 3.5 times. The planned investments exceed 1.5 billion rubles.

The scope of the environmental activities of Mechel Group enterprises is not limited by execution of the above mentioned agreements. Thus, all Group enterprises have developed and are implementing their own Environmental programs related to air protection, water protection and wastes treatment. Considerable financial resources are being invested by the Group into its environmental programs and into the implementation of innovation technologies. The planned investments of Mechel Group for 2021 total up to 4.2 billion rubles.

## **6. INFORMATION ON THE POWER RESOURCES VOLUMES CONSUMED BY COMPANY IN THE ACCOUNTING YEAR**

<b>Type of power resource</b>	<b>Consumption volume in kind</b>	<b>Unit of measurement</b>	<b>Consumption volume, thous. RUB</b>
Thermal power	335	Gcal	- *
Electric power	710 343	kWh	- *
Petrol fuel for transportation vehicles	25 027.51	l	- **

\* Mechel PAO performs its operations in leased premises. According to the terms and conditions of the agreement, all costs related to the maintenance of the premises and payment for the consumed power resources (thermal power, electric power) shall be borne by Lessor.

\*\* Transportation vehicles are not registered on the balance of the Company. Transportation services are performed based on transportation vehicles leasing agreements. According to the terms and conditions of the agreement, all costs related to transportation vehicles maintenance shall be borne by Lessor.

No other types of power resources except for those reflected in the table were consumed in the accounting year.

## **7. COMPANY DEVELOPMENT OUTLOOK**

Our strategy is aimed at generating the maximum benefit from our mining and steel assets. We plan to focus upon the improvement of the effectiveness and upgrading of the segments of our business that we expect to improve the overall profitability of our business.

In the Mining Segment, the Company will continue the development of the existing coal reserves, in particular, in order to sell higher volumes to third parties. Coking coal and iron ore production is a steady basis for Steel Segment. It is possible to use steam coal for power generation activities, which will make it possible for the Company to sell products with high added value, such as electric and thermal power, to the market, and to improve the level of self-sufficiency of the Mining and Steel Segments in energy. Nevertheless, in spite of having internal reserves for power supply the Company intends to continue following its long-continued practice of buying raw materials from external suppliers and selling its products, including raw materials, to internal and external consumers in order to have additional opportunities for the Group to generate profit.

In Steel Segment, the Company is planning to focus on the railway, engineering and construction markets. Commissioning of the universal structural mill at Chelyabinsk Metallurgical

Plant made it possible to enrich the assortment of high added value products, such as structural steel and rails, as well as to significantly improve the plant's level of competitiveness making it a supplier of a wide range of products for the railway and construction industries and an important supplier of Russian Railways JSC. In 2015 and 2018, we successfully certified rail products in accordance with the technical rules of the Customs Union, which led to issuance of five certificates of conformity. Certificates allow free circulation of rail products when imported to the territory of the Customs Union. The increase in sales of universal rolling mill products will occur as new types of products are developed and certified and will allow us implement an import substitution strategy. We intend to increase productivity of our Group and improve the quality of high-value-added steel products in order to restore our leading position in the domestic market of specialty steel, stainless steels, and metal ware.

The Company's sales network ensures a solid foundation for further sales development. In the current economic situation, the Company is able to quickly respond to any changes in the market conditions and redirect its product deliveries not only in Russia, but abroad, which makes it possible to generate additional profit.

Another strategic priority is to develop our logistics capabilities. We own fleet of rail cars, which ensures a balance between transport safety and cost efficiency. Development of cargo handling capacity of port Posiet is the basis for continuous supply of our coal products to the Asia-Pacific region. The growing export-oriented coal production in mining segment shall require further expansion of port facilities on our main export routes, as well as expansion of our own fleet of railway cars.

While focusing on improving efficiency of our core businesses, we may also consider selectively disposing of assets in order to reduce our debt load and contribute to business development. In April 2020, the Group sold its 51% shares in Elgaugol LLC, Elga-Doroga LLC and Mechel Trans Vostok LLC to A-property LLC.

## **8. REPORT ON THE ANNOUNCED (ACCRUED) DIVIDENDS PAID ON THE COMPANY'S SHARES**

The Company's dividend policy in 2020 was determined by Regulations on Dividend Policy approved by resolution of the Board of Directors on January 19<sup>th</sup> 2016 (Minutes No. w/o dated January 20<sup>th</sup> 2016).

The Company's dividend policy is developed to ensure the most transparent and clear mechanism of determining the amount of dividends and their payment for shareholders and all interested parties, as well as to determine the strategy of the Company Board of Directors when preparing recommendations on the amount of dividends on shares, their payment conditions and procedure and on the date of defining a list of persons entitled for dividends.

The main principles of the Company dividend policy are as follows:

- observance of the effective laws of the Russian Federation, Articles of Association and internal documents of the Company;
- striving for the highest standards of corporate governance;
- improvement of the investment potential of the Company;
- ensuring positive dynamics in dividends amount provided that the net profit of the Company increases;
- striving to ensure the most convenient way for shareholders to receive dividends;
- ensuring the highest transparency of the mechanism for dividend amount calculation.

It was resolved by Annual General Shareholders' Meeting of Mechel PAO dd. June 30<sup>th</sup> 2020 based on the results of 2019 financial year to pay dividends by preferred registered uncertified shares of the Company in the amount of 3 rubles 48 kopecks per share (Minutes No. 1 dd. July 2<sup>nd</sup> 2020).

July 17<sup>th</sup> 2020 was stated as the date of defining the list of persons entitled to receive dividends by preferred registered uncertified shares.

Dividend payment was effected by a bank transfer. The amount of 482,874,064 rubles 20 kopecks was spent for payment of dividends by placed preferred shares.

As of December 31<sup>st</sup> 2020 the dividends paid based on results of 2019 financial year amounted to -482,428 thousand rubles.

Payment of dividends for the previous accounting periods amounted to 190 thousand rubles due to the shareholders' request.

The indebtedness by dividends owed to the shareholders as of the end of the accounting period is 2,815 thousand rubles.

The indebtedness by dividends owed to the shareholders is related to the absence of the exact address details or bank details necessary to effect dividends payment. The indebtedness is going to be repaid as soon as respective requests for payment of uncalled dividends are received from shareholders (as per clause 9 of article 42 of the Federal Law No. 208-FZ "On Joint Stock Companies" dd. December 26th 1995).

## **9. DESCRIPTION OF THE MAJOR RISK FACTORS RELATED TO THE COMPANY OPERATIONS**

### **Country and regional risks**

The Company is operating on the territory of the Russian Federation and in a number of foreign countries and therefore is exposed to all the risks resulting from the political and economical situation in such countries. The geographical peculiarities of the regions of the Company's operations do not have any significant influence upon its operations. Risks related to disaster hazards and possibility of transportation stoppage are minor.

### **Financial risks**

The Company is prone to financial risks, including risks related to changes in interest rates, exchange rates, foreign currency rates, inflation and liquidity risks. To mitigate the above mentioned risks the Company is currently and as the case may be using its internal risk management related tools and reserves helping the Company to comply with its liabilities and obligations as well as is considering possibilities of applying hedging transactions in the financial markets. The key target of financial risks management is to minimize the adverse effect of the below mentioned risks when meeting the strategical targets of the Company.

#### ***Interest rate risk***

The Company is prone to interest rate risk. The Company's debt portfolio consists of borrowed funds and issued bonds. Some certain part of its liabilities is based on a floating rate depending on the Key rate of the Bank of Russia, and an increase in the latter will result in increasing interest payment amounts for the Company. The growing costs of debt portfolio servicing may have an adverse effect upon the Company's ability to pay its debts as well as upon the final results of the Company's operational activities.

The same way an increase in a floating interest rate may produce an adverse effect upon the Group's debt load because a significant share of the Group's debt portfolio is based on floating rates as well, including floating rates depending on the Key rate of the Bank of Russia. An increase

in the overall level of interest rates may result in the Group enterprises' debt servicing becoming more expensive, which will produce an adverse effect upon their operational activities and upon their ability to pay dividends.

#### ***Exchange rate risk***

Exchange rate risk is related to a growth in the cost of foreign currencies towards ruble and does not produce any material adverse effect upon the Company's financial state because the Company does not have any significant financial liabilities in foreign currencies. Changes in the exchange rate of a foreign currency against the ruble may also affect the Company's balance sheet position.

Changes in the exchange rate of foreign currencies do not affect the Company's obligations under issued securities (bonds), since these obligations are denominated in the currency of the Russian Federation. The Group's entities receive a portion of their revenue in foreign currency and a portion of the Group's liabilities (including those on contracted loans) are also denominated in foreign currency. So, there is a probability of profit deficiency in case if ruble exchange rate grows versus the currencies of export contracts, and in case if ruble exchange rate decreases the debt load by credits denominated in foreign currency will increase.

#### ***Inflation risk***

The Company faces the inflation risk that may produce an adverse effect upon its operational results. Growing prices may result in a growth in the expenses in rubles, including expenses for fuel, sources of power, labor payment and cost of production services that are sensitive to the overall growth in prices on the Russian market and therefore may become a reason for the worsening of the Company's profitability indicators thus producing an adverse effect upon the financial results of the Company's activities. At the same time, recent decisions of the Bank of Russia are aimed at reducing this risk and controlling the level of inflation.

#### ***Liquidity risk***

Liquidity risk is related to the Company's cash flow and appears in case if the Company fails to fulfill its financial liabilities within the timelines set. Liquidity risk is often related to interest rate, exchange rate and inflation risks. Liquidity risk may also be faced by Group enterprises in case of a decrease in prices or demand for its products, which may result in a lack of cash for the debt servicing.

All the above mentioned financial risks are the risks that may produce the most significant influence on revenues from sales, costs and financial indicators reflected in the balance sheet, namely on the outstanding debt and on the funds available on the accounts of the Company. In case of any of the above mentioned risks the Company will take all possible measures to mitigate the negative consequences of such risks. Necessary measures are to be worked out for each particular case depending on the situation. It cannot be guaranteed by the Company that the actions aimed at the mitigation of negative consequences will be able to completely remediate the situation because the above described factors are beyond its control.

#### **Production related risks**

Subsidiaries of the Company are prone to production related risks.

The following factors may influence the production process of Enterprises: high level of fixed assets wear and tear, limitations of natural monopolies, untimely supply of raw materials, materials or spare parts and other factors. In order to prevent or mitigate the influence of production related risks the Enterprises perform detailed planning, forecasting of the production plan results and develop the measures of responding to production related risks.

## Legal risks

Legal risks related to making amendments to the laws that affect the Issuer's activity in the internal market, including:

- foreign exchange legislation.

Changes in the currency exchange regulation have no direct impact on the Company business. However, should the current laws be amended the Company is determined to plan its operations taking such amendments into account. In view of the above, the Company estimated the risks of amendments to foreign exchange legislation as minor;

- tax legislation.

Changes in the Russian tax laws may adversely affect the Company's operations, in particular:

- introducing amendments or additions into the laws on taxes and levies related to tax rates growth;
- toughening of requirements to the documents confirming the application of reduced tax rates based on international treaties on avoidance of double taxation.
- introducing of profit taxation of the controlled foreign companies.
- introducing new types of taxes.
- cancellation of tax benefits for subjects of the Russian Federation.

Due to amendments of the current tax laws, there is a possibility for the Company to increase its expenses on taxes payment and statutory payments.

In particular:

- The Company is recognized as a controlling entity (through direct or indirect participation), and the profit of such controlled foreign companies shall be included into the tax base of the Russian Federation.

- A Multilateral Convention to Implement Tax Treaty related Measures to Prevent Base Erosion and Profit Shifting (BEPS convention, MLI) was ratified by Russia. This may make it more difficult to apply tax benefits when paying out passive types of income (interest, dividends, etc.) to foreign companies and result in additional tax charges. The liability of tax, fine or penalties in this case may be imposed on the Company. Possible growth in rates of the taxes to be paid by Company in the course of its financial and production operations may result in the growth of the Company's expenses and in the decrease in the amount of the available funds that may be used to finance its current operations. Should there be any changes in the current procedure and terms of taxation, the Company is determined to take such changes into account when planning its financial and economic operations.

- Amendments were introduced to the bilateral treaties on avoidance of double taxation with Cyprus, Luxembourg and Malta. Such respective treaty with the Netherlands is expected to be terminated. So, it is expected that the withholding tax will be increased up to 15% (excluding certain persons listed in respective agreements).

- Customs clearance and duties have no significant impact on the Company business.

- The main operations performed by Company do not need licensing, and the Company does not have to acquire licenses for the right of using the facilities limited in circulation because the management and consulting activities are not subject to licensing in the Russian Federation, and the Company does not use for its operations the facilities limited in circulation.

- Changes in the legal practice in respect of the matters related to the Company's operations (including matters related to licensing) that may adversely affect its performance and results of the current litigations the Company is involved in is estimated by the Company as insignificant.

### **Risks related to the Company operations**

There is a material risk of the Company's being held liable for the debts of third parties, including subsidiaries and affiliates. The Issuer is bound by suretyships issued to secure for the obligations of third parties, namely subsidiaries and affiliates of the Issuer, the performance of which is under the Issuer's control. Nevertheless, in case of failure by such third parties, namely by subsidiaries and affiliates of the Issuer, to perform their secured obligations, there is a risk of the creditor's filing claims for the performance of such obligations under the issued suretyships.

In accordance with the provisions of the Civil Code of the Russian Federation and Articles 3 and 6 of the Federal Law On Joint Stock Companies, the Company may be jointly and severally liable with its subsidiary in respect of the transactions that were concluded by the latter based on instructions of the Company. Should the subsidiary become insolvent (bankrupt) due to the fault of the Company, the Company shall bear subsidiary liability for the debts of its subsidiary.

Risks related to losing the consumers accounting for at least 10% of the total revenue from the services rendered by the Company have no significant effect on the Company.

There are no risks peculiar to the Issuer only.

Risks related to the impossibility of extending the Issuer's license to perform particular type of activity or to use facilities limited in circulation (including natural resources): none.

#### ***Risks related to current court proceedings the Company is involved in.***

Mechel PAO is currently not taking part in any court litigations that can entail significant consequences for the Company operations. Risks related to court proceedings that were estimated by management as "probable" may be considered as risks that may significantly affect the financial performance of the Company. Risks related to court proceedings that were estimated by management as "possible" or "insignificant" may not be considered as risks that may significantly affect the financial performance of the Company.

### **Social Risks**

Social risks are triggered by trade unions existing at Group enterprises that may influence their operations within labour legislation.

55% of the total headcount of Mechel Group is represented by trade unions as of December 31<sup>st</sup> 2020.

In accordance with the RF legislation, there is a certain number of cases when trade unions are legally entitled to organize strikes, which may result in the downtime and interruption of the production processes of the enterprises the way it happens from time to time with other Russian companies having powerful trade unions representation.

The Company is socially-oriented and performs certain activities to develop social partnership at Group Enterprises, which makes it possible to eliminate such risks. Nevertheless, in case if interactions with trade unions and labor teams become worse, there still remains a probability of getting strikes, lockouts or delays in the renewal of collective agreements.

If Group Enterprises are unable to prolongate collective labour agreements based on similar terms and conditions in future, or if the employees are unsatisfied with the terms and conditions of such collective agreements and take any collective actions in this respect, it may produce material adverse effect on the Company business, its financial state, operational results and prospects.

## Reputational risks

Компания и ее дочерние предприятия были подвержены риску негативного представления о финансовой устойчивости из-за переговоров с кредиторами о реструктуризации долга. The Company and its subsidiaries were at risk of negative view of the financial sustainability due to ongoing negotiations with creditors about debt restructuring. Debt restructuring negotiations with the major creditors, Russian state banks, were successfully completed as of the moment of publishing these statements. The Company is focused on implementation of a system of measures aimed at development and maintenance of a sustainable business reputation - it discloses information in accordance with the laws of the Russian Federation, rules of the New York Stock Exchange, international standards of corporate governance through its corporate website [www.mechel.ru](http://www.mechel.ru). Company management regularly appear in the media to explain the Company's stance on various issues.

## 10. INFORMATION ON THE TRANSACTIONS MADE BY COMPANY IN THE ACCOUNTING YEAR

### 10.1. The list of the transactions made by Company in the accounting year recognized in accordance with the Federal Law On Joint Stock Companies as major transactions

Transaction date (date of contract conclusion): April 20<sup>th</sup> 2020

Subject and other material terms of the transaction:

The transaction consists of a series of interrelated transactions – A Unified Amendment agreement to Suretyship agreements and Amendment agreements to Pledge agreements. The subject of the above mentioned transactions is the provision of the suretyship and security in form of a pledge to secure for the Borrowers' obligations towards the Creditor on the amended terms and conditions. In accordance with the Amendment agreement to the Suretyship agreement, it was agreed by the Parties to introduce respective amendments to the suretyship agreements in respect of the Borrowers' secured obligations, as amended and restated. In accordance with the Amendment agreements to the Share Pledge agreements of Beloretsk Metallurgical Plant AO, Chelyabinsk Metallurgical Plant PAO, Izhtal PAO, Urals Stampings Plant PAO, Mechel Mining AO and Agreement of the pledge of Stakes in Bratsk Ferroalloy Plant OOO, due to the fact that the secured obligations changed, the terms and conditions of the Pledge agreements shall be amended and restated, and the Pledgor undertakes to be liable towards the Creditor by way of the pledge subject under the Pledge agreements to secure for the Borrowers' obligations arising from the credit agreements (as amended and restated).

The following person(s) is (are) the transaction party(ies) and beneficiary(ies): Creditor/Pledgor; Mechel PAO - Surety/Pledgor; Beneficiaries: HC Yakutugol AO; Southern Kuzbass PAO; Trade Port Posiet AO; Urals Stampings Plant PAO; Chelyabinsk Metallurgical Plant PAO; Beloretsk Metallurgical Plant AO; Mechel Coke OOO; Mechel Service OOO; MECHEL ENERGO OOO – Borrowers.

The transaction was approved by resolution of the general meeting of shareholders on June 30<sup>th</sup> 2020 (Minutes of the general annual meeting of shareholders No. 1 dd. July 2<sup>nd</sup> 2020).

Transaction date (date of contract conclusion): April 21<sup>st</sup> 2020

Subject and other material terms of the transaction:

The deal consists of several interrelated deals:

- Amendment agreement No.1 to the suretyship agreement.
- Agreement of the secondary pledge of the shares of Chelyabinsk Metallurgical Plant, Urals Stampings Plant PAO, Mechel Mining AO, Beloretsk Metallurgical Plant AO;
- Suretyship agreement.

The subject of the above mentioned transactions is the provision of the suretyship and security in form of a pledge to secure for the Borrowers' obligations towards the Creditor arising from the agreements on funds provision:

In accordance with the conditions of Amendment agreement No.1 to the Suretyship agreement, it was agreed by the Parties to introduce respective amendments to the suretyship agreement in respect of the secured obligations of Borrower 1, as amended and restated. In accordance with the agreements of the secondary pledge of the shares of Chelyabinsk Metallurgical Plant, Urals Stampings Plant PAO, and Mechel Mining AO, the Pledgor undertakes to be liable towards the Creditor by way of the pledge subject to secure for the fulfillment by Borrower 1 of its obligations arising from the agreements on funds provision (as amended and restated). In accordance with the Suretyship agreement the Surety undertakes to be liable towards the Creditor for the performance by Borrower 2 of its obligation under the agreement on funds provision in full scale. In accordance with the agreements of the secondary pledge of the shares of Mechel Mining AO and Beloretsk Metallurgical Plant AO the Pledgor undertakes to be liable towards the Creditor by way of the pledge subject to secure for the fulfillment by Borrower 2 of its obligations arising from the credit agreement.

The following person(s) is (are) the transaction party(ies) and beneficiary(ies): Creditor/Pledgor; Mechel PAO - Surety/Pledgor; Beneficiaries: Chelyabinsk Metallurgical Plant PAO – Borrower 1, Southern Kuzbass PAO - Borrower 2

The transaction was approved by resolution of the general meeting of shareholders on June 30<sup>th</sup> 2020 (Minutes of the general annual meeting of shareholders No. 1 dd. July 2<sup>nd</sup> 2020).

The information is disclosed in this section of the annual report with the consideration of the limitations provided for by effective legislation.

#### **10.2. The list of the transactions made by Company in the accounting year recognized in accordance with the Federal Law On Joint Stock Companies as related-party transactions**

In accordance with clause 70.3 of chapter 70 of the “Provisions on Information Disclosure by Issuers of Issue-grade securities” (approved by the Bank of Russia on December 30<sup>th</sup> 2014 No.454-II) there is a reference to the document containing a list of related party transactions made by Company in the accounting period.

**Document name:** “Report on the Related Party Transactions Made by Mechel PAO in 2020”.

**The document can be found on the following web-page:**  
[http://www.mechel.ru/shareholders/corporate\\_governance/shareholders\\_meeting/](http://www.mechel.ru/shareholders/corporate_governance/shareholders_meeting/);  
<http://www.e-disclosure.ru/portal/company.aspx?id=1942>.

**Document approval date:** approved on May 24<sup>th</sup> 2021 by resolution of the Board of Directors of Mechel PAO (Minutes w/o number dd. May 24<sup>th</sup> 2021).

**The accounting period described in the document:** 2020.

#### **11. REMUNERATION PAYMENT AND EXPENSES COMPENSATION POLICIES FOLLOWED BY COMPANY**

Remuneration shall be paid to Chief Executive Officer in the amount and based on the terms and conditions of the Labor Contract signed by such Chief Executive Officer and the Company.

Remuneration shall be paid to the members of the Board of Directors of the Company based on the respective decision of the General Shareholders Meeting in compliance with the procedure prescribed by Regulation on Payment of Remuneration to Members of the Board of Directors of Mechel PAO and of Compensation for the Expenses Related to the Fulfillment by Members of the



Board of Directors of their Functional Duties approved by General Shareholders' Meeting of Mechel PAO.

The Regulation above defines the amount of annual remuneration that depends both on the membership in and/or control over committees of the Board of Directors. There are not any additional payments or compensations in case of early termination of powers of BD members resulting from transfer of control over the Company or from any other circumstances.

The Regulation above also provides for compensating the members of the Board of Directors of Mechel PAO for the costs actually borne by them, including travelling expenses related to round trips to the place of the meeting of the Board of Directors and of its committees and back, accommodation costs and other expenses related to the activities of the Company.

The incentive system is in place to financially motivate the members of the Board of Mechel PAO to achieve strategical goals and improve the economic effectiveness of the management.

The incentive system for the Chairman and members of the Board includes the following elements:

- official salary;
- premium for results;
- one-time premium paid to a manager for contributing to the development of the Company.

Board members are provided with policies of voluntary insurance and with paid mobile services and are entitled for the benefits and compensations prescribed by Labor Code of the Russian Federation, federal laws, statutory and regulatory enactments of the Russian Federation, internal bylaws of the Company (payment (compensation for) representation costs, business trip expenses, transportation services).

***The information by each Governing Body of the Company (but for Chief Executive Officer) shall include the amount of all types of remuneration paid during the accounting period:***

The total amount of remuneration paid to the BD members by Issuer for the 12 months of 2020 amounted to 233 572 thousand rubles, including.

The total amount of remuneration paid to the Board members for 12 months 2020 amounted to 110,627 thousand rubles, including:

## **12. DESCRIPTION OF THE CORPORATE GOVERNANCE SYSTEM OF THE COMPANY**

### **12.1. Corporate Governance principles followed by Company**

Corporate Governance system of the Company is aimed at the sustainable growth in the equity value of the authorized capital in the long-term perspective and implies the necessity to consider both, financial, social and environmental aspects of the Company's operations when decision making.

the company applies the world best practices of corporate governance and develops its Corporate Governance system based on the following milestone principles:

- Ensure the shareholders have a real opportunity to exercise their rights related to participation in the authorized capital of the Company;
- Ensure that it is possible for all shareholders of the Company to effectively protect their rights, if they are violated;
- Performance of strategical management of the Company by its Board of Directors and effective control by the Board of Directors over the activities of the Executive bodies of the as well as accountability of the Board of Directors to the shareholders;
- Ensure that it is possible for the Executive Bodies of the Company to effectively govern the current operations of the Company in compliance with the principles of fairness,

reasonableness and exclusively in the best interest of the Company, and ensure the accountability of the Executive Bodies to the Board of Directors of the Company;

- Timely disclosure of complete and accurate information on the Company, including its financial state, economic performance, ownership and management structure to ensure reasonable decision making by shareholders of the Company and by investors;

- Effective control over financial and business operations of the Company to ensure the proper defense of the legitimate rights and interests of the shareholders;

- Balanced and effective internal control system and risk management system.

Consistent enhancement of the Corporate Governance system and improvement of its efficiency is a part of the Company's development strategy.

Other Corporate Governance principles followed by Company include the following:

- Corporate secretary is to ensure the effective interactions with shareholders, coordinate the Company's actions related to the protection of the shareholders' rights and interests, support the effective work of the Board of Directors; Corporate Governance and Property Department, being a structural subdivision of the Company, shall perform the functions of the Corporate Secretary;
- Development and implementation of the Information policy to ensure the effective information exchange and communication between the Company, its shareholders, investors and other interested parties;
- Active interaction and cooperation with investors, creditors and other interested parties in order to improve the corporate rating and other ratings of the Company;
- Compliance with all the requirements of the effective legislation and local by-laws;
- Compliance with the Code of Business Conduct and Ethics;
- Effective interaction with the employees of the Company in resolving social welfare issues and to ensure necessary labour conditions;
- create necessary conditions for each of the employee to develop and use their creativity, improve their professional skills;
- staying neutral in respect of financial and industrial groups, state bodies, political parties and associations;
- Members of the Board of Directors, Chief Executive Officer, members of the collegial Governance Body and other key top management personnel of the Company shall disclose any information on bias, affiliation, interest in transactions, including any conflict of interest on their part.

## **12.2. Structure (scheme) of the Corporate Governance system of the Company.**

Corporate Governance system of the Company consists of the following bodies:

- General shareholders meeting is the highest governing body of the Company used by shareholders to exercise their right for taking part in the governance of the Company and to influence the decision making in respect of the main questions;

- Board of Directors is a collegial Governing Body responsible for the general governance of the operations of the Company, defining the strategy of the Company and exercising control over the functioning of the executive bodies. The Board of Directors establishes the Audit

Committee, Investment and Strategic Planning Committee, Remuneration and Compensations Committee and may establish other committees for other areas of activities;

- the Board and Chief Executive Officer are collegial or sole executive governance bodies governing the current operations of the Company and implementing the strategy defined by Board of Directors;

The system of the controlling and internal audit bodies of the Company includes the following:

- Audit Committee of the Board of Directors;
- External auditor approved by general shareholders meeting of the Company;
- Independent structural subdivisions (and/or specially authorized employees) performing the internal audit and control in accordance with the authorities defined by local by-laws of the Company.

### **12.3. Description of the risk management system and of the internal control system applied in the Company.**

The Internal Control System (hereinafter the “ICS”) of the Company is based on the methodology of COSO (COSO IC, 2013 “Internal control: integrated model”) and includes the following components:

- control environment;
- Risks identification and estimation;
- Controlling procedures;
- System of information exchange;
- Internal control functioning monitoring.

The purpose of ICS is to ensure reasonable assurance in resolving by the Company of the following tasks:

- ensure the effective operations;
- ensure the completeness, timeliness and reliability of all types of accounting and statements of the Company;
- compliance with the effective legislation;
- preventing frauds/ corruptive practices;
- ensure assets protection, including data assets.

The following are the main principles of ICS functioning:

- interaction: coordinated participation of all ICS parties in order to achieve its objectives;
- Continuity of operations: permanent and sustainable functioning of ICS making it possible for the Company to timely identify the deficiencies and to prevent them in future;
- Prompt response: the timely provision of information to executives and to authorized bodies;
- Responsibility: rights and obligations of ICS parties shall be reflected in regulatory by-laws of the Company;
- Development: monitoring and adaptation of ICS to changing conditions;
- Segregation of duties: segregation of functions between employees and structural subdivisions to exclude the overlapping of such functions as authorization, performance, accounting of operations with certain assets and control over their execution by one and the same person (structural subdivision);
- Materiality: control procedures shall be aimed at key risks;
- Functionality: control procedures shall be aimed at certain risks and shall be clear to their executors;
- Financial feasibility: the benefit from control procedures shall exceed the cost of their execution.

ICS members are as follows:

- Board of Directors and Audit Committee of the Board of Directors of the Company;
- Highest Governing Bodies;
- Heads of structural subdivisions of the Company;
- Company employees.

Risk management system makes it possible for the Company to promptly respond the risks. Risk management system is a complex of organizational measures, methods, procedures, norms of corporate culture and actions performed by Company to achieve an optimal balance between the growth in the stakeholder value of an enterprise, profitability and risks. Risk management system development in the Company is governed by provisions of COSO ERM (conceptual framework of enterprise risk management).

Risk management system shall be based on the following main principles:

**Integrity.** Risk management system is an integral part of corporate governance and embraces all functional areas and levels of management and is related to such business processes as strategic, annual, operational and project management.

**Feasibility.** Risk management processes are feasible, if the effect from using them exceeds the expenses for its implementation. According to this principle, objectives shall be achieved time-effectively and with the minimum possible financial expenses.

**Standardization.** Risk management is performed based on the approaches and standards prescribed by methodological base that is common for all subdivisions of the Company.

**Continuity.** All the processes related to risk management shall be performed in a consistent and cyclic manner. ERM consistency is ensured due to such processes as risk response (through the implementation of respective measures in current operations) and risk monitoring (making it possible to constantly update the information on risk events).

Risk management system effectiveness is ensured by way of its integration on various levels of management:

- on the operational level (by way of introducing and implementing necessary control procedures in operational processes);
- on organizational level (by way of organizing the functions coordinating the Company activities within the system of risk management).

ERM participants:

- Board of Directors and Audit Committee of the Board of Directors of the Company;
- Risk Expert advisory body
- Supreme governing bodies of the Company;
- Heads of structural subdivisions of the Company;
- Company employees.

#### **12.4. Information on the assessment of Corporate Governance in the Company.**

The assessment of the Corporate Governance in the Company was performed during the accounting period. The Board of Directors approved the Report of the Internal Audit Department on the Assessment of the Company's corporate governance system and recognized that the system of Corporate Governance is effective. The Board of Directors recommended to the Director of Corporate Governance and Property Department (Russian assets) of Mechel OAO to take on consideration for the recommendation of the Internal Audit Department to improving of Company's corporate governance.

### **13. ANNUAL REPORT OF THE AUDIT COMMITTEE**

#### **The report on the work of the Audit Committee in April 2019 – May 2020**

This report was prepared in accordance with the requirements prescribed by article 306 of Regulation S-K of the US Securities and Exchange Commission, Recommendations of the Central Bank (Letter No. 06-52/2463 dd. April 10<sup>th</sup> 2014), and local by-laws of other competent organizations in the field of audit and securities.

In accordance with the definition of the listing standards of New York Stock of Exchange and Rule 10A-3 of Securities Exchange Act (USA, 1934), the Audit Committee consists of independent members only.

The effective version of the Regulation on the Audit Committee of the Board of Directors of Mechel PAO (hereinafter the “Regulation”), that is an internal document regulating the activities of the Audit Committee, was approved by Board of Directors of Mechel PAO on May 19<sup>th</sup> 2016.

According to the Regulation, the main purpose of the Audit Committee is to facilitate effective performance of the functions of the Board of Directors in the part of control over the financial and operational activities of Mechel PAO, to work out recommendations as per questions within its competency and submit them to the Board of Directors.

The main tasks of the Audit Committee were brought in compliance with the recommendations of the Central Bank in respect of compliance with the corporate governance principles.

From April 1<sup>st</sup> 2018 up to now the composition of the Audit Committee is as follows:

Georgy G. Petrov - Chairman of the Audit Committee

Alexander N. Kotsky - Audit Committee member

Alexander D. Orischin - Audit Committee member

Within the performance of its function the Audit Committee considered the consolidated IFRS financial statements of Mechel PAO and its affiliates (hereinafter the “Group”) for 3 months 2019, 6 months 2019, 9 months 2019 and 12 months 2019 and discussed it with the management of the Company. At that, the discussion included not only the questions related to the applicability of the book accounting principles but also their quality, reasonableness of the critical assumptions and the accuracy of the information disclosed.

The Audit Committee discussed with independent auditor Ernst&Young Ltd the question of the correct application of the book accounting principles and other questions that need to be considered by Audit Committee as per Regulation on Audit Standards No. 61 “Interactions with Audit Committees” (as amended), other standards of Public Company Accounting Oversight Board (USA), rules of the US Securities and Exchange Commission and other applicable norms. Besides, the Audit Committee discussed with Ernst&Young Ltd the question of independency of the external auditor on the management and the Company.

The Audit Committee discussed with the independent auditor the plan of audit of the consolidated statements for 2019 and with the Internal Audit Department – the plan of work for 2020.

Regular meetings were held by Audit Committee with the Internal Audit Department to discuss the results of the audit checks performed.

The effectiveness of functioning of the integrated risk management system and internal control system was considered by Audit Committee as well as the results of the preventive anti-fraud activities performed by security departments of respective subsidiaries and affiliates.

In 2019-2020 the Audit Committee approved the provision by Ernst&Young Ltd of services related to the audit of the IFRS consolidated financial statements of the Group for 2019, 2020, and 2021; audit and preparation of the report on the effectiveness of the system of internal controls over the preparation of such statements; review of the IFRS HY consolidated financial statements of the Group for the 6 months of 2019, 6 months of 2020 and 6 months of 2021 with the comparative data; additional services related to the performance of the agreed procedures with the submission of the report to VTB Bank (PJSC) as well as checking the statutory form 20F to be submitted to New York Stock Exchange as per the rules of the US Securities and Exchange Commission (SEC). Audit Committee approved also approved the provision Ernst&Young Ltd of consulting services related to taxes, training and provision of access to the on-line resources of Ernst&Young Ltd, consulting services related to the review of salaries and compensations in 2019, consulting services in the part of assistance in the preparation of presentations for banks-creditors in the part of data structuring and selection for the purpose of reports preparation.

Audit Committee performed the assessment of the auditor's opinion in respect of the book accounting statements for 2019 presented by external auditor Energy Consulting JSC to confirm that the auditor performed the audit and that the auditor's opinion was generated in accordance with the established procedure and confirms the fairness of the book (financial) statements and is in compliance of the book accounting performed to the legislation of the Russian Federation. It was recognized by Audit Committee that the auditor's opinion in respect of the book accounting statements of Mechel PAO for 2019 was generated in accordance with the effective legislation of the Russian Federation and reflect the real situation and state of business of Mechel PAO.

10 meetings (3 meetings in form of personal presence and 7 meetings in form of conference calls) were performed by Audit Committee during the accounting period.

**Audit Committee Chairman**  
**Georgy G. Petrov**

### **The report on the work of the Audit Committee in June 2020 – April 2021**

This report was prepared in accordance with the requirements prescribed by article 306 of Regulation S-K of the US Securities and Exchange Commission, Recommendations of the Central Bank (Letter No. 06-52/2463 dd. April 10<sup>th</sup> 2014), and local by-laws of other competent organizations in the field of audit and securities.

In accordance with the definition of the listing standards of New York Stock of Exchange and Rule 10A-3 of Securities Exchange Act (USA, 1934), the Audit Committee consists of independent members only.

The effective version of the Regulation on the Audit Committee of the Board of Directors of Mechel PAO (hereinafter the "Regulation"), that is an internal document regulating the activities of the Audit Committee, was approved by Board of Directors of Mechel PAO on May 19<sup>th</sup> 2016.

According to the Regulation, the main purpose of the Audit Committee is to facilitate effective performance of the functions of the Board of Directors in the part of control over the financial and operational activities of Mechel PAO, to work out recommendations as per questions within its competency and submit them to the Board of Directors.

The main tasks of the Audit Committee were brought in compliance with the recommendations of the Central Bank in respect of compliance with the corporate governance principles.

From April 1<sup>st</sup> 2018 up to now the composition of the Audit Committee is as follows:

Georgy G. Petrov - Chairman of the Audit Committee

Alexander N. Kotsky - Audit Committee member

Alexander D. Orischin - Audit Committee member

Within the performance of its function the Audit Committee considered the consolidated IFRS financial statements of Mechel PAO and its subsidiaries (hereinafter the “Group”) for 3 months 2020, 6 months 2020, 9 months 2020 and 12 months 2020 and discussed it with the management of the Company. At that, the discussion included not only the questions related to the applicability of the book accounting principles but also their quality, reasonableness of the critical assumptions and the accuracy of the information disclosed.

The Audit Committee discussed with independent auditor Ernst&Young Ltd the question of the correct application of the book accounting principles and other questions that need to be considered by Audit Committee as per Regulation on Audit Standards No. 61 “Interactions with Audit Committees” (as amended), other standards of Public Company Accounting Oversight Board (USA), rules of the US Securities and Exchange Commission and other applicable norms. Besides, the Audit Committee discussed with Ernst&Young Ltd the question of independency of the external auditor on the management and the Company.

The Audit Committee discussed with the independent auditor the plan of audit of the consolidated statements for 2020 and with the Internal Audit Department – the plan of work for 2021.

Regular meetings were held by Audit Committee with the Internal Audit Department to discuss the results of the audit checks performed and considered on a regular basis the results of the preventive anti-fraud activities performed by security departments of respective subsidiaries and affiliates.

The effectiveness of functioning of the integrated risk management system and internal control system was considered by Audit Committee. As a result, the Audit Committee approved the results of functioning of the integrated risk management system in 2020 and risk-appetite for Mechel PAO and also approved the results of the assessment of the system of internal control over the preparation of financial statements for 2020, thus recognizing it effective.

In 2020-2021 the Audit Committee held meetings with the representatives of the external auditor for the purpose of approval of their services provision. Namely, the Audit Committee approved the provision by Ernst&Young Ltd of services related to the review of salaries and compensations, services related to the preparation of the documents in respect of transfer pricing in 2019 for Mechel Service Kazakhstan TOO.

Audit Committee performed the assessment of the auditor’s opinion in respect of the book accounting statements for 2020 presented by external auditor Energy Consulting JSC to confirm that the auditor performed the audit and that the auditor’s opinion was generated in accordance with the established procedure and confirms the fairness of the book (financial) statements and is in compliance of the book accounting performed to the legislation of the Russian Federation. It was recognized by Audit Committee that the auditor’s opinion in respect of the book accounting statements of Mechel PAO for 2020 was generated in accordance with the effective legislation of the Russian Federation and reflect the real situation and state of business of Mechel PAO.

11 meetings (10 meetings in form of conference calls and 1 meeting in form of video conference) were performed by Audit Committee during the accounting period.

**Audit Committee Chairman**  
**Georgy G. Petrov**

## **14. REPORT ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

The report on the Company's compliance with the principles and recommendations prescribed by Corporate Governance Code may be seen in the respective appendix hereto.

## **15. APPENDICES TO THE ANNUAL REPORT**

**15.1. Report on the Company's compliance with the principles and recommendations prescribed by Corporate Governance Code**

**15.2. IFRS consolidated financial statements for 2020**