

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS 2011

STATEMENT OF SUPPORT FROM METINVEST'S CHIEF EXECUTIVE OFFICER

Dear Mr. Secretary-General,

I am pleased to confirm Metinvest's continued support of the Ten Principles of the United Nations Global Compact in the areas of human rights, labor, environment and anti-corruption. We also reaffirm our commitment to advance these principles throughout our business and within our sphere of influence.

We pledge to take part in the activities of the UN Global Compact, where appropriate and feasible, through participation in UN Global Compact Network Ukraine, involvement in specialized initiatives and engagement in partnership projects.

In this annual Communication on Progress, we are proud to present our actions and progress on the ten principles during 2011. We commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,



Igor Syry
Chief Executive Officer
Metinvest Holding, LLC

METINVEST'S VISION OF SOCIAL RESPONSIBILITY

Metinvest's concept of Social Responsibility is based on the integration of the core elements of sustainable development — social, economic, and environmental — into business strategy and operations throughout the Group.

As a responsible corporate citizen, we consider it necessary to:

- take responsibility for all our actions, and assess their potential impact on local communities before making final decisions;
- contribute voluntarily to the development of local communities;
- develop open and constructive dialog with our stakeholders; and
- implement the principles of sustainable development in all aspects of our business.

Metinvest views its key focus areas of Corporate Social Responsibility (CSR) as follows:

- health and safety;
- environment;
- social support and development of employees; and
- quality and efficiency improvement of the Company's social investments into local communities.

ADHERENCE TO THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

United Nations Global Compact Principle	Metinvest's position	Progress in 2011
Human Rights		
<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p>	<p>Metinvest believes in the fundamental human rights of its employees and people living in local communities. We recognize and accept this as an important part of our social responsibility.</p>	<p>Metinvest conducts its business with full respect for human rights and ethical business behaviors. There were no reported incidents of violations in 2011.</p> <p>Employees</p> <p>We strive to become an employer of choice and work toward building an effective HR management system that implements the Group's sustainable personnel development strategy. Metinvest employees are the basis for its success and the key resource that assures the Company's competitiveness.</p> <p><u>Fair remuneration system and performance assessment</u></p> <p>The central focus of our HR work is to sustain and enhance the productivity of our employees while restraining labor costs in a changing employment market. We aim to give our employees a balance of incentives, including fair salaries and benefits that provide them with security and encourage loyalty and productivity.</p> <ul style="list-style-type: none"> • In 2011, Metinvest continued to make investments in technology that are transforming our production assets, making them more efficient and less labor intensive. This allows us to boost output with a lower headcount and increase labor productivity. • We implemented a unified KPI setting system, which merges the Group's strategy with individual goals for all employees in the Management Company and the two upper management levels at all assets. Their performance and competency appraisals then form the basis for decisions about remuneration, formation of the talent pool, planning of promotions and careers, developing skills and recruiting. • We made further progress in establishing a unified grading system as a foundation for setting salaries. The system has been developed using globally recognized standards set by the Hay

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		<p>Group.</p> <p><u>Employee development</u></p> <p>To ensure our staff reaches their full potential, we provide extensive training opportunities for employees at all levels to enhance existing skills or master new ones. We recognize that improving the professional skills of employees at all of the Group's entities is an ongoing process, and our main focus is developing the leadership and managerial skills of our executives and the talent pool.</p> <ul style="list-style-type: none"> • In 2011, we continued to develop our talent pool of future leaders and succession planning. We launched our in-house Corporate University, which has numerous programs for enterprise managers and a separate track for senior managers as part of our succession planning. • In 2011, we determined our target corporate culture and further action needed to achieve it. The first steps toward launching our "Developing a Corporate Culture" initiative were formalizing corporate values, communicating them to employees at all assets, and developing a competencies model. The corporate values are: professionalism; client focus; life, health and environment; leadership; and teamwork. These values form the basis for our competencies model, which both defines our approach and encourages the right attitude required for us to succeed. <p><u>Health and safety</u></p> <p>Metinvest ensures the highest levels of safety and working conditions for all employees. Health and safety is a cornerstone of our corporate strategy and is included in all of our planning. We have achieved results in reductions in injuries at our plants through implementing best available practices, investing in safety equipment, modernizing facilities and focusing on employee training.</p> <ul style="list-style-type: none"> • In 2011, Metinvest spent USD 168 million on health, labor protection and safety. • The safety standard LOTOTO (lock out, tag out,

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		<p>try out) was introduced at all subsidiaries in 2011. This best practice is used to isolate hazardous equipment during repair and maintenance work.</p> <ul style="list-style-type: none"> • The number of lost-time incidents at our Ukrainian facilities fell from 528 in 2008 to 244 in 2011. • 18,749 employees received additional health, safety and environment training beyond the essential instruction provided to all personnel, taking the total to over 30,000 since 2008. • A single standard for responding to medical emergencies at all plants was introduced in 2011. • In July 2011, Metinvest mining enterprise Krasnodon Coal experienced a serious accident. Alongside the official investigation, our Supervisory Board oversaw an audit, approved a road map for improvements at the mine and then conducted a reaudit to ensure compliance with all mandated changes. Metinvest also recruited the international consulting company IMC to monitor progress on safety issues. • In October 2011, Metinvest HSE Train the Trainer program received an important recognition from the World Steel Association (WSA). Under the scheme, retired managers with extensive experience and knowledge of particular plants are trained in the latest corporate safety standards and then instruct other personnel. • In 2011, Metinvest organized a major international Health, Safety and Environment conference and we plan to make it a regular event. The conference featured representatives from more than 80 companies, associations and government bodies. <p>Relations with local communities</p> <p>The prosperity of our local communities is another critical aspect of our ethical and responsible business behavior.</p> <p>Metinvest is Ukraine's largest taxpayer and one of its main employers. The Company's primary contribution to local communities in Ukraine, Europe and the US, where it has its key assets, is in providing high-quality jobs, supporting employees'</p>

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		<p>families and creating a solid base for the development of a vibrant and diversified economy.</p> <ul style="list-style-type: none"> • In 2011, our social investments in local communities totaled about USD 10 million. <p>Rather than charitable giving, our programs are targeted and we sign cooperation agreements with local councils to channel our funding into priority areas such as social infrastructure, healthcare, education, culture and sport. We manage these projects as we do any other business endeavor, focusing strictly on deliverables, complete transparency and accountability.</p> <ul style="list-style-type: none"> • In addition to cooperation with local governments, in 2011, we launched three new social initiatives that directly involved local communities. Among them was the initiative "Our Town in Our Hands" implemented in two cities of Donetsk oblast, Yenakiieve and Kryvyi Rih. The program was aimed at encouraging social activity and supporting projects by citizens to improve living standards in cities where Metinvest operates. It applied an approach whereby initiative groups, NGOs and municipal institutions formulate issues of concern, demonstrate their relevance, suggest solutions and present ways to implement their solutions. The Group financed the most innovative and original projects. • In 2011, more than 1,500 members of local communities participated in our development projects. <p>Our CSR efforts over the year were recognized in March 2012 when Gvardiya (a Ukrainian rating agency) ranked Metinvest #1 among Ukrainian companies in corporate social responsibility (CSR) reflecting our contributions, transparency and accountability in the field.</p>
Labor		
Principle 3: Businesses should uphold the freedom of association and the	The Company provides equal opportunities to employees based on their	Metinvest is Ukraine's largest employer and has more than 100,000 employees worldwide. Our people are the key to our future success and we take responsibility for them. Investing in

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<p>effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labor;</p> <p>Principle 5: the effective abolition of child labor; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>professional qualities irrespective of their age, sex, nationality, religious beliefs and political views.</p>	<p>employees is a core part of our long-term strategy as we become a knowledge-based business. We constantly monitor current labor legislation to ensure compliance with legal and other rights in our relationships with employees.</p> <p>Metinvest has never used compulsory or child labor. In 2011, we received no claims or complaints related to the aforementioned issues.</p> <p>We respect the right of our employees to form unions and associations. Metinvest works closely with professional unions at its enterprises and has implemented collective labor agreements that cover numerous social benefits including medical insurance. In 2011, Metinvest signed an industry agreement for 2011-2012 that ensures the implementation of labor rights across the mining and steel industry in Ukraine.</p> <p>We continue to assist other employee organizations such as youth associations, councils of veterans, and women's associations.</p>
Environment		
<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>	<p>The core priorities of Metinvest's development strategy include employees' health and safety and the environment.</p> <p>Our goal is not only compliance with the Law, but also to take additional measures that contribute to the mitigation of risk in these areas. Systematic work toward decreasing injuries and accidents as well as environmental impact prevention activities have been in progress since the Company was founded.</p>	<p>Responsible environmental stewardship is critical to our long-term business outlook. The investments contained in our Technological Strategy will make us more efficient and reduce consumption of energy and greenhouse gas emissions. We are mindful that our ability to lead the market will depend on us meeting or exceeding the highest European environmental standards.</p> <ul style="list-style-type: none"> • Six of Metinvest's enterprises have ISO 14001 environmental management certification. We are working to obtain this certification at our other plants and expect them all to be compliant within the next few years. • In 2011, we spent USD 463 million on engineering solutions to improve environmental standards at all plants. • The decommissioning of the open-hearth furnace and shift to converter technology at Azovstal was a major step forward in reducing our environmental impact. The closure of the furnace is expected to reduce gross emissions by

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		<p>17,000 tons a year.</p> <ul style="list-style-type: none"> • We commissioned new state-of-the-art blast furnace #3 at Yenakiieve Steel. We also replaced the gas treatment units in the plant's converter shop, which will help our steel facilities meet European environmental standards. As a result, we expect overall emissions to fall by 706 tons a year and the unit amount (per ton of hot metal) to decrease by a factor of 3. In another important project, we began to upgrade gas filter installations at Northern Iron Ore Enrichment Works with more efficient equipment. • The Group has already made important progress in reducing greenhouse gas emissions under its Kyoto Protocol commitments. For 2008 to 2012, Metinvest expects to lower emissions by 8.7 million tons of CO₂ equivalent, which equals 2.5 million tons of coking coal. At the end of 2011, Metinvest was involved in 19 projects as part of the Kyoto Protocol Joint Initiative program; these reduced greenhouse gas emissions by around 8 million tons of CO₂ equivalent a year.
Anti-Corruption		
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	<p>The Group strives to maintain the highest levels of corporate governance and transparency throughout all of its activities and communications.</p>	<p>Metinvest recognizes the importance of appropriate corporate management and supports high levels of transparency and communications in accordance with global best practices.</p> <p>Metinvest supports ethical business practices within the Group, as well as among its partners, contractors and other stakeholders.</p> <p>In 2011, Metinvest introduced the following initiatives in line with fair business practices:</p> <ul style="list-style-type: none"> • Relations with state and local officials were established on the basis of standard contracts according to the requirements of the Ukrainian Law "On Principles for Preventing and Combating Corruption". • Conflicts of interest are avoided using procedures laid down by the Conflict of Interest Manual, wherein Metinvest has defined types of transactions that could lead to such issues.

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		<ul style="list-style-type: none"> • The following procedures that ensure transparent and responsible business relations were supervised by the Company's management: <ul style="list-style-type: none"> • annual publication of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The accuracy of published information is independently appraised by a leading auditor • business processes are built not only in accordance with the law, but also with the established corporate standards that might exceed minimum legal requirements • Hotlines and regular "Question and Answer" meetings were held with the general directors of Metinvest's enterprises. • Transparent and impartial decisions are ensured by the presence of independent directors on the Company's Supervisory Board. • The "Supplier Selection Procedure" Manual, developed in 2011, ensures the transparency and fairness of the process for the evaluation and selection of suppliers.

For more information, please see Metinvest's Annual Report 2011 and our website:

http://www.metinvestholding.com/upload/metinvest/content/65/Metinvest_AR_2011.pdf

<http://www.metinvestholding.com/>

Detailed information on these activities will be presented in Metinvest's Social Report 2011-2012 in July 2013.