

SCM Group
Communication on Progress Report
2013

**To: Georg Kell
Executive Director
United Nations Global Compact
10017 New York
USA**

Dear Mr Kell

I am happy to present to you SCM Group's Communication on Progress 2013 and confirm that SCM Group upholds the ten principles of the UN Global Compact in the area of human rights, labour, environment and anti-corruption.

Our success is built on our commitment to continuous investment in business growth, where social investment is a key component.

For many years we have been reinvesting almost all SCM Group's profits to modernise our businesses and contribute to the social development of the local communities we are a part of. For example, in 2013 alone our investment in modernisation and upgrades amounted to over UAH 18 billion. The social investments in health, safety and training of our staff, environment protection and energy efficiency, infrastructure of the cities and towns of our operations and development of business environment totalled around UAH 8 billion.

Our investments led to the concrete actions covered in this report that brought together and benefited hundreds of thousands of our employees and millions of the residents in our communities.

In 2014, we will continue to reinvest our earnings. In the current situation, our major social role is to ensure the continuous operation of our companies, keep existing jobs and create new ones. A major portion of our investments will be spent repairing damaged production facilities, restoring the power supply in Donbas and supporting our employees and the residents of Donetsk and Luhansk regions who are in trouble. These investments are absolutely essential and vital, so dividing them into capital and social spending is impossible. The quality of peoples' lives, the sustainability of SCM's business, and the further development of the national economy equally depend on these investments.

I believe that every big business in Ukraine is in the same situation today. If a business understands its civil responsibility, if it wants to benefit the country, not by word but by deed, it must be disciplined in paying taxes and continue to invest, even in the very difficult situation we are facing today.

At SCM Group we do understand this very well.

Oleg Popov

Chief Executive Officer, SCM

ABOUT SCM GROUP

SCM is Ukraine's biggest private diversified group investing in the development of the national economy. We consolidate hundreds of businesses that are vital for the stability and incomes of millions of Ukrainians. SCM is fully owned by Ukrainian businessman Rinat Akhmetov.

MINING AND METALS

[METINVEST](#) is an international vertically integrated mining and steel group that manages every link in the value creation chain – from producing coal and iron ore to making semi-finished and finished steel products. The Group includes mining and steel companies located in Ukraine, Europe and the United States with a sales network covering all key global markets.

ENERGY

[DTEK](#) is the largest Ukrainian energy company bringing businesses into an efficient production chain, from coal production and preparation to electric power generation and sales. The company also realises a range of promising alternative energy and oil&gas projects.

TRANSPORTATION

[PORTINVEST](#) Holding manages SCM's port assets and implements a range of investment projects in Ukraine's transport industry. Its companies tranship cargo in sea ports, forward freight, offer shipping agency, vessel chartering and other services.

[Lemtrans](#) is Ukraine's biggest private freight forwarder that offers the full gamut of rail freight transport services.

Transinvest Holding develops operations in construction and repair of railway tracks, firstly, for SCM Group's transport infrastructure.

BANKING AND INSURANCE

First Ukrainian International Bank ([FUIB](#)) is a universal bank specialising in commercial, retail and investment banking.

Renaissance Capital Bank focuses on retail consumer finance for individuals and operates under the Renaissance Credit trademark. The bank belongs to FUIB Banking Group.

[ASKA](#) is a foremost insurance company in Ukraine and a market leader for more than 24 years offering property, casualty, car and health insurance.

[ASKA-Life](#) is one of Ukraine's leading full-service life insurance companies.

REAL ESTATE

[ESTA](#) Group is one of the biggest players in Ukraine's real estate market. Focused on developing and investing in commercial property, the Group's portfolio includes office centres, malls, hotels and other real estate operations. The Group's current projects include the Donbas Palace Hotel

(Donetsk), the Opera Hotel (Kyiv), Park Inn by Radisson Donetsk, the Pushkinsky business centre (Donetsk), and the second stage of the Leonardo business centre (Kyiv). The Group is also engaged in the reconstruction of the Kyiv TSUM shopping mall and a cultural centre in Andriyivsky Descent in Kyiv.

FOOTBALL CLUB SHAKHTAR AND DONBAS ARENA

[Football Club Shakhtar Donetsk](#) is the leader in the Ukrainian football league and one of Eastern Europe's top clubs. The team enjoys a highly developed sports infrastructure including a modern training centre and a football academy.

[Donbas Arena](#) is an elite stadium, the home ground of FC Shakhtar. Launched on 29 August 2009, it can seat 52,667 people.

HEAVY ENGINEERING

[Corum Group](#) (formerly known as Mining Machines) is an expert in mining business. Corum operates seven heavy engineering plants, repair bays and sales offices in Ukraine, Russia, Kazakhstan, Vietnam and Poland. The group focuses on modern integrated solutions, production and maintenance of the equipment used in mining, processing and transportation of mineral resources, as well as construction of mines.

TELECOMMUNICATIONS

[Vega](#) Telecommunications Group is a leading fixed-line operator in Ukraine providing broadband Internet access and data transmission services.

[Ukrtelecom](#)¹ is one of the biggest national telecom companies offering a full range of modern services throughout Ukraine with the strongest positions in Internet access and fixed-line telephony.

MINERAL MATERIALS PRODUCTION

United Minerals Group Limited ([UMG](#)) is a multi-minerals holding that effectively realises Ukraine's resource potential internationally. The company operates in clay, flux limestone and dolomite industry as well as promising sectors of raw materials production.

MEDIA

[Media Group Ukraine](#) is a holding that includes [Ukraina](#) national general-interest TV channel, NLO TV channel, Futbol 1 and Futbol 2 thematic channels, the Regional Media Group (TV channels Donbas, 34, Sigma and Sfera), Mediapartnership sales house, Digital Screens (oll.tv), Tele Pro production company, Front Cinema, Aid+Help TV and Segodnya Multimedia holding².

¹Ukrtelecom joined SCM Group on 4 October 2013.

² In February 2013, Segodnya Multimedia joined Media Group Ukraine.

[Segodnya Multimedia holding](#) runs newspapers [Segodnya](#), Veчерkom, Vechirny Donetsk, Pryazovsky Robitnyk, RIO, Donetsk Novyny etc and runs printing shops in Vyshgorod (Kyiv Oblast) and Mariupol (Donetsk Oblast). Furthermore, the holding operates news websites [www.segodnya.ua](#), [www.dnews.donetsk.ua](#), [www.pr.ua](#), [www.vecherka.donetsk.ua](#) and publishes the My Weekend magazine available for iPad.

AGRICULTURE

[HarvEast Holding](#) manages agricultural assets in Donetsk Oblast and the Autonomous Republic of Crimea and is focused on growing crops, dairy farming, compound feed production and seed cultivation. The holding's total land bank is 197,000 hectares.

GROCERY RETAIL

[Ukrainsky Retail](#) develops SCM's grocery retail business under the [Brusnychka](#) brand in central and eastern Ukraine. The chain includes 134 stores located in Donetsk, Kharkiv, Dnipropetrovsk, Luhansk, Zaporizhia and Poltava oblasts. The company aims to establish one of the biggest retail chains in the country.

FILLING STATIONS

[Parallel-M Ltd](#) is the leading wholesaler and retailer of oil products in eastern Ukraine, operating a network of 117 filling stations. The company has two large oil terminals in Donetsk Oblast and owns a fleet of modern petrol and gas trucks.

SCM GROUP BY NUMBERS, 2013

7 countries: Ukraine, the United Kingdom, Italy, Bulgaria, the United States, Russia and Switzerland

Over 320 thousand employees

Over 100 businesses

Over UAH 18 billion investment in organic growth of companies (modernisation)

Over UAH 28 billion paid in taxes

OUR UNDERSTANDING OF CORPORATE RESPONSIBILITY

People, firstly our employees and residents of our communities, are at the heart of the SCM Group's sustainability strategy. We invest to develop not only our business but all of Ukraine. This fundamental goal shapes our priorities, investment areas and expected results.

For SCM Group the commitment to sustainable development means stability, safety and progress. It is a permanent drive to higher living standards in our local communities and the whole of Ukraine. It is about preserving the environment and using energy and natural resources more efficiently. It is a contribution to the development of next generations. We believe that our shareholder, partners, staff with their families and all Ukrainians are equally interested in this.

About UAH 8 billion – investment of SCM Group in sustainable development in 2013:

- employee development, health and safety
- environment and energy efficiency
- development of our local communities and business environment

Our way towards a sustainable development model

2006-2008:

- SCM Group mission and values approved
- SCM Group CSR policy approved
- Initiatives in the education sector realised
- SCM joined the UN Global Compact in Ukraine
- First sustainability reports of SCM Group produced

2009-2011:

- SCM and biggest companies of the Group (Metinvest, DTEK) widely engaged in the UN Global Compact in Ukraine
- Projects for local communities consolidated into a single Social Partnership Programme

2012-2013:

- A model for sustainable development of SCM Group established
- Ethical principles and values of SCM Group (How We Work) formulated
- Strategic Sustainability Goals of SCM Group determined
- SCM Group Sustainability Policy being developed.

SCM GROUP STRATEGIC SUSTAINABILITY GOALS

In 2013, we set out SCM Group's sustainability goals so that our employees, citizens of the communities where we operate, our partners and all stakeholders understand our sustainability priorities and what we aim to achieve.

The goals make an integral part of our development strategy and have been adopted by all SCM Group businesses. We will regularly report on the progress towards them in our sustainability reports.

Safety of our employees

We have taken every effort to bring safety incidents at our companies down to zero.

Health of our employees

Our companies have systems in place to protect the health and safety of the employees and extend their employment longevity.

Good working conditions

Our companies are the most attractive employers in their industries and in the regions where they operate. They provide good working conditions and competitive salaries.

Improving the quality of education

We make a strong contribution to improving the quality of education offered to the students of Ukraine's universities and vocational schools and ensuring it meets the needs of the real economy.

Local communities

Our companies create good living conditions in the regions of their operations.

Environment

Our industrial businesses progress towards meeting EU air emission standards and apply the best global practices in terms of the quality of discharged waste water and waste management.

Energy efficiency

Our industrial businesses meet the best global practices on the efficient use of fuel and energy.

Business ethics

Our companies meet the highest international standards of business ethics.

SCM GROUP SUSTAINABILITY POLICY

In 2013, SCM was developing its Sustainability Policy. We adopted it early in 2014 to replace SCM Group Corporate Responsibility Policy we had applied since 2006.

The Policy sets uniform principles and approaches in the area of sustainable development across the entire SCM Group. The approaches guide every aspect of our strategic planning, project implementation and governance at all levels.

SCM GROUP SUSTAINABILITY POLICY



For details about SCM Group Sustainability Policy please go section Sustainability section at www.scmholding.com

PROMOTING CSR IN UKRAINE AND INTERNATIONALLY

SCM has been active in a number of CSR and sustainable development initiatives as well as helped to promote and explain them in Ukraine.

Since the United Nations Global Compact was launched in Ukraine in 2006, SCM became its partner and invested in the development of the UNGC national network. Jock Mendoza-Wilson,

SCM's Director of International and Investor Relations, chairs the Steering Committee of the UNGC in Ukraine and is widely involved in organizational work both in Ukraine and internationally.

We also carry out a number of joint projects with the leading Ukrainian and international expert organizations promoting CSR and sustainable development ideas in different sectors.

ADOPTING TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT IN OUR STRATEGY AND ACTIONS

HUMAN RIGHTS

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

Principle 2: Businesses must ensure that they are not complicit in human rights abuses

Policy

SCM Group upholds and respects the human rights proclaimed on the international level and fixed in the Universal Declaration of Human Rights approved by the General Assembly of the United Nations.

SCM Group and all of its businesses respect and observe human rights and freedoms without discrimination of any kind, such as gender, race, nationality, language, age, residence, religion and political opinion.

In 2013 we adopted a fundamental corporate document – the code of business conduct "**HOW WE WORK**". This is the foundation for our relations with each other, our partners, competitors and the Ukrainian society in general. In particular, the Code sets out provisions about the respect for the individual and observance of human rights. All seven key principles of How We Work are equally important for us.

SCM Group key principles
1. Honesty and good faith in relations within the company
2. Integrity in relations with customers and business partners
3. Respect for the individual and observance of human rights
4. Transparency and openness
5. Zero tolerance for bribery and corruption
6. Sustainable development and social responsibility
7. Legitimacy and the rule of law

The SCM Group Sustainability Policy also sets out our principles and approaches to the engagement with the society.

Our companies seek to create good living conditions in the regions where they operate and contribute to the sustainable development of the country.

We lead a constructive dialogue with all stakeholders to jointly address social, economic and environmental issues that are important for the local communities of SCM Group and the whole of Ukraine.

Our fundamental principles:

- We take a whole system approach to the development of our local communities.
- We ensure that SCM Group's social projects and programmes are effective and address important social issues.
- We engage stakeholders including local authorities, residents and NGOs to develop and realise our social projects and programmes.

SCM Group is expanding its corporate volunteering programme. In 2013, we adopted a single Corporate Volunteering Policy to address social concerns and unite tens of thousands of our employees around a common goal – change the world for better.

Implementation

All our companies and employees – more than 300,000 people – observe the key principles of SCM Group. We also encourage our contractors, partners and customers to follow the principles we have suggested. In 2013, most of our businesses reviewed their corporate codes of ethics (DTEK, Metinvest, FUIB) and harmonised them with How We Work. A number of companies developed their own rules of conduct for the first time (e.g. Lemtrans, Corum Group and Media Group Ukraine).

Our media businesses (TV channels of Media Group Ukraine and the Segodnya Multimedia publishing holding) abide by the ethical principles as they create content and seek to offer objective, accurate, balanced and unbiased information to society. The Editorial standards³ of Media Group Ukraine establish that the group shares generally recognized human values and beliefs, the principles of humanity, equality regardless of the nationality, gender, religion and education.

For full text of HOW WE WORK please go <http://www.scmholding.com/en/about-us/governance/principles/>

In 2013, we established a group-wide [Trust Line](#) to ensure the most effective acceptance of our principles, firstly, inside our companies. We respect the right of every employee of SCM Group or other stakeholder to express concern over the results of our common cause and report any inappropriate actions to the Trust Line. Everyone, who sees a violation of law, norms and corporate ethical standards can report and help us to become better. For us the Trust Line is an effective mechanism of feedback with senior management and supervisory boards. We inform our senior managers about issues on any level of our business and also review the most frequent problems arising at our companies to find out and immediately remove their roots.

³For more about the Editorial standards of Media Group Ukraine please go to <http://sobytiya.tv/ru/standarts/>

Trust Line contacts:

0800-60-0777 (all calls are toll-free within the borders of Ukraine)

or email trustline@scm.com.ua

Local community development

We help to raise the living standards in the cities and towns where we operate and contribute to the sustainable development of Ukraine through our social projects and programmes. The Social Partnership Programme (SPP) is our key instrument in the field⁴.

Investing in infrastructure, raising the quality and access to medical services and education and developing the business environment are among key priorities for the SCM Group's Social Partnership Programme. We partner with local authorities, NGOs and residents to implement our projects thus sharing a common goal of improving the living standards for millions of people in almost 800 Ukrainian cities and towns.

In 2013, we rolled out SPPs in more than 118 localities of 11 regions of Ukraine as well as in the Crimea and Kyiv.

In 2013, SCM Group implemented more than 560 projects under the Social Partnership Programme with the total investment of almost UAH 240 million.

In 2013, we were active in the projects of the SPP to develop the business environment. For example, Local Economic Development Agencies⁵ established with support of DTEK in 15 Ukrainian towns expanded their operations. Local economic development agencies are non-profit non-governmental organisations with a wide range of functions from helping individuals to start a business to blueprinting extensive plans for the development of an entire town with the engagement of investors and partners. The agencies assist those who want to start a business by providing necessary counselling, teaching and writing a good business plan. They also help citizens to borrow small loans to fund the most promising start-ups with a special focus on the youth.

SCM's agricultural business, HarvEast, helps develop small businesses in villages, supporting individuals prepared to become farmers. In particular, the company leases some of its non-core assets to local residents who can thus start a business with affordable costs: farmers pay just a token price of UAH 1 to rent agricultural equipment and farm buildings. HarvEast also advises them on business development and offers discount prices to buy farm machinery and livestock.

⁴ For more about the Social Partnership Programme of SCM Group please visit www.sustainability.scm.com.ua or see our sustainability reports at www.scmholding.com

⁵ For more information about Local Economic Development Agencies, please go to DTEK's social partnership website spp-dtek.com.ua.

Corporate volunteering is another area that SCM Group developed actively in 2013. We organised 42 volunteering events in which more than 30,000 employees took part with the major areas of focus being infrastructure development, environmental activities and helping people in need.

In April 2013, thousands of our colleagues working at SCM Group took part in an environmental clean-up campaign. They decided to show in practice their desire to make the life in their cities better and joined a nationwide initiative Let's Make Ukraine Clean! organised under the auspices of the UN Global Compact.

In October 2013, SCM Group launched another national initiative, the Green City, to plant a variety of shrubs and trees e.g. mountain ashes, limes, birches, maples and chestnuts.

Metinvest, the mining and metals business of SCM Group, has realized a corporate Good Deeds Campaign⁶ since 2012. Jointly with NGOs and city organizations, they help to improve children's playgrounds, make repairs and dig gardens for the elderly and also hold intellectual and sports games, master classes for orphaned children, schoolers and students.

Every year hundreds of our employees (including FUIB and Vega telecommunications group) and their families take part in the Run Under the Chestnut Trees⁷ arranged in Kyiv in May. The newspaper Segodnya and www.segodnya.ua cover the run on their pages.

For more about SCM Group projects for the development of local communities please read our [CSR portal](#) and [reports](#) on www.scmholding.com in section [Sustainability](#) as well as COP of Metinvest (www.metinvestholding.com) and DTEK (dtek.com).

LABOUR

Principle Three: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle Four: The elimination of all forms of forced and compulsory labour

Principle Five: The effective abolition of child labour

Principle Six: Eliminate discrimination in respect of employment and occupation

Policy

SCM Group is the biggest employer in Ukraine. Over 300,000 people work at our production facilities and offices, performing manual labour or working creatively. We are confident that a

⁶ For more about the Good Deeds Campaign please visit www.sustainability.scm.com.ua or www.metinvestholding.com

⁷ The Run under the Chestnut Trees has opened the Day of Kyiv festivities for several years. Any person can take part in the marathon. The money raised during the campaign is donated to the centre of infant cardiology and cardiac surgery at the Ministry of Healthcare of Ukraine to buy necessary equipment and medicines to save children with congenital heart diseases.

strong team of professionals is essential for the long-term success and sustainable development of our companies.

In the area of labour relations SCM Group abides by the Constitution of Ukraine, the current laws of Ukraine and supports the ILO Declaration on Fundamental Principles and Rights at Work approved in 1998.

We pursue the highest standards to ensure our staff with good and safe working conditions and develop their professional skills.

All companies of SCM Group meet the following principles of fair labour practices and respect to human rights in their work:

- Respect and observe human rights
- Comply with the current labour legislation of Ukraine
- Provide our employees with good working conditions, competitive salary and social protection
- Develop the intellectual and skills potential of our staff.

The How We Work ethical code says that at all companies of SCM Group respect and observe human rights and freedoms without discrimination of any kind, such as gender, race, nationality, language, age, residence, religion and political opinion. SCM Group does not use child labour.

Health and safety issues are controlled on the highest level: our industrial holdings (Metinvest and DTEK) established health, occupational safety and environment committees at the board level.

The companies within SCM Group developed and introduced HR policies that set out their approaches to staff recruitment, motivation and training.

The industrial holdings have adopted modern health and safety management systems according to the OHSAS 18001 standard. We strive to achieve our ultimate safety goal of zero injuries. We invest to make working conditions safe and provide our staff with modern personal safety equipment and clothing. In addition, we seek to instil a safety culture throughout the Group and prevent occupational diseases.

Implementation

Being the biggest employer in Ukraine, SCM Group respects the rights of its employees to establish professional unions and other associations representing their interests.

We work openly and honestly with trade unions and other organisations selected by our employees to represent their interests. We realize that collective agreements covering working conditions, remuneration, social benefits, guarantees and many other important provisions secure the rights and interests of employees. Therefore, we particularly focus on complying with industrial and collective

agreements. We discuss changes to collective agreements with the staff and approve them at employee meetings and conferences of trade unions.

In 2013, SCM Group continued to invest to improve safety of working places, provide quality personal safety kits and adopt corporate programmes that contribute to better health and safety of our employees.

In 2013, SCM Group invested over UAH 1.6 billion in health and safety.

All SCM Group companies continue to focus on employee training and development. In 2013, our businesses looked to develop a corporate system for internal training of operational specialists and managers at SCM Group, cooperated with universities and vocational schools on staff training and were also widely involved in reforms of the national education system with the Skills Passport project.

In 2013, SCM Group invested over UAH 112 million in staff development.

For more about SCM Group projects in health and safety and staff development please read our [CSR portal](#) and [reports](#) on www.scmholding.com in section [Sustainability](#).

ENVIRONMENT

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

Principle 8: Undertake initiatives to promote greater environmental responsibility

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

Policy

At SCM Group we believe that using natural resources sustainably and reducing the environmental footprint are cornerstones to successful business development and high living standards. We make extensive investments to upgrade our factories and strive to making them modern, effective and eco-friendly.

SCM Group includes very different businesses: mining and metals, energy, machine building, transportation, banking, telecommunications, media and many others.⁸ They all share the following principles:

- Use natural resources, including energy, sustainably
- Minimise and prevent a negative environmental footprint

⁸For more about our business operations please visit <http://www.scmholding.com/en/business/sectors/>

- Consider environmental implications when we plan investments and new projects
- Be open for cooperation on environmental issues with regional governments, NGOs and our local communities
- Our companies develop and raise the environmental culture among their staff and in the Ukrainian society in general.

All of our businesses respect national legal environmental standards.

Environment management issues are controlled on the highest level: our industrial holdings (Metinvest and DTEK) established health, occupational safety and environment committees at the board level.

The industrial holdings of SCM Group (Metinvest⁹ and DTEK¹⁰) have developed environmental policies outlining their priorities including: building environmental management systems, certifying the compliance of management approaches to the international standards of ISO 14001 and ISO 5001, monitoring the environmental footprint, developing and implementing annual and long-term environmental programmes.

Implementation

Our industrial holdings, firstly DTEK and Metinvest, make multi-million investments to modernize equipment and technology. Modernization helps to improve our environmental performance, particularly by reducing air emissions, water consumption, wastewater discharges and energy use. Some solutions help to reduce waste generation and reuse it in a safer way. Such projects are designed to have a long-term impact.

***In 2013, environmental investments of SCM Group industrial holdings
totalled around UAH 5.4 billion.***

Our industrial companies develop, adopt and regularly improve their environmental management systems in compliance with international standards, particularly ISO 14001.

Our industrial companies are committed to reducing their energy use and introducing energy-saving technologies in their production processes as well as adopting and improving energy management systems in consistency with the international standard ISO 50001.

DTEK, the energy business of SCM Group, is taking active steps to develop its wind power business¹¹. The wind farm in Botiive is DTEK's first green energy project. It is the most powerful

⁹ For more about Metinvest Policy on Health, Safety and Environment please visit <http://www.metinvestholding.com/en/csr/hse>

¹⁰ For more about DTEK Policy please visit <http://dtek.com/en/corporate-social-responsibility/environment>

¹¹ For more about DTEK's wind power actions please see DTEK reports on dtek.com.

and modern wind power plant in Ukraine. It is the first green energy project that DTEK rolled out from concept to implementation. Once completed, it will generate about 600 GWh of electricity per year using 65 brand new wind turbines with a total capacity of 200 MW.

Office workers of our non-industrial companies (banks, insurances, hotels, telecoms, retailers, TV channels and newspapers) also take actions every day to preserve the environment:

- implement green office principles: consume energy sustainably, save paper, use equipment efficiently, introduce e-document management, collect waste paper, dead batteries and accumulators and pass them on to dedicated recycling organisations, etc.
- help to develop a new environmental culture by taking part in various environmental initiatives.

For more about SCM Group projects in environment please read our [CSR portal](#) and [reports](#) on www.scmholding.com in section [Sustainability](#).

ANTI-CORRUPTION

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

Policy

We aim to be the leading national company that meets the highest international standards of business ethics and global practices.

In 2013, we published a HOW WE WORK document that outlines the fundamental principles of doing business at SCM Group. Zero tolerance for bribery and corruption is one of the declared principles.

All provisions of the policy are binding for all employees of every plant and companies within SCM Group.

The Group has embedded a transparent and clear system of corporate governance that meets the highest international standards.

For more about the corporate governance structure at SCM Group please see the [Corporate governance](#) section on our website www.scmholding.com.

In 2013, within SCM Group companies there were no criminal prosecutions against employees related to corruption. They did not receive any motions from regulatory agencies or penalties for breaches of standards in any jurisdiction of their operations.

Implementation

Following the advice of the UN Global Compact to report about the actions and initiatives taken by companies to fight corruption in line with two reporting levels (Basic Reporting Elements and Desired Reporting Elements), SCM has chosen to report to Basic Reporting Elements (B1-B7).

Reporting Element B1: Publicly stated commitment to work against corruption

Zero tolerance for bribery and corruption is one of the fundamental business principles of SCM Group fixed in the HOW WE WORK Code.

SCM Group does not tolerate any attempt of bribery to secure competitive advantage.

In 2013, most of our businesses reviewed their corporate codes of ethics (DTEK, Metinvest and FUIB) and harmonised them with How We Work:

- DTEK developed and approved its new Code of Ethics and Business Conduct¹² giving a particular focus to the fight against corruption.
- Metinvest also approved its corporate ethics code¹³. Zero tolerance for bribery and corruption is one of the major principles in business ethics of Metinvest.
- The Code of Ethics at FUIB¹⁴ also establishes the principle of “zero tolerance for bribery and corruption.”

A number of companies developed their own rules of conduct for the first time (e.g. Lemtrans, Corum Group) that set out anti-corruption principles.

Being a signatory to the Global Compact, SCM has been active in promoting the 10th principle of anti-corruption across the Group, in the Ukrainian society and in the international community.

In 2013, Jock Mendoza-Wilson, SCM's Director of International and Investor Relations, represented SCM at a number of meetings on anti-corruption:

- In the 13th Meeting of the UN Global Compact Working Group on the 10th Principle Against Corruption that presented modern trends in this area. The meeting took place on 9 December 2013.
- In the Partnering Against Corruption initiative, PACI,¹⁵ during the World Economic Forum in Davos devoted to the fight against corruption. The meeting took place on 15 October 2013.

¹² For more about DTEK Ethics and Business Conduct Code please visit [Ethics and Compliance](#) section on dtek.com

¹³ For more about Metinvest Code of Ethics please visit [Corporate governance](#) section on [www.metinvestholding.com](#)

¹⁴ For more about FUIB Code of Corporate Ethics please visit section [Corporate Governance](#) on [pumb.ua](#)

¹⁵ For more about the initiative please visit <http://www.weforum.org/projects/partnering-against-corruption-initiative>

- In the working group for development of Guidance for fighting corruption in sport sponsoring that later became a part of the Strategy for Safeguarding against Corruption in Major Public Events published in New York in autumn of 2013.

SCM Group's companies also take part in national and international organizations for ethics and compliance:

- SCM and DTEK are members of the Anti-Corruption Working Group of the American Chamber of Commerce in Ukraine that develops legislative initiatives to fight corruption in Ukraine.
- SCM and DTEK are members of the ACC Compliance Club, a platform that enables compliance experts to share experience, promotes compliance in the Ukrainian market and teaches Chamber members the practices of doing business in line with compliance standards.
- DTEK takes part in the activities of the Institute of Business Ethics), the Compliance and Ethics Leadership Council and the International Compliance Association.

Reporting Element B2: Commitment to be in compliance with all relevant laws

One of our fundamental principles “Legitimacy and the rule of law” stated in the HOW WE WORK says: “We strictly and rigorously follow the applicable laws of Ukraine and other countries where SCM Group operates.”

SCM Group companies (SCM, DTEK, Metinvest and FUIB) have a compliance position in place to monitor how they meet requirements of regulatory agencies, applicable laws, internal regulations, fair competition standards and corporate ethical principles. Moreover, DTEK established a compliance management department that carries out preventative activities to avert corruption and financial abuse. By cementing ethical principles, they establish relations with the partners based on open and transparent rules.

Reporting element B3: Translation of the anti-corruption commitment into actions

SCM sees the corruption risk as one of compliance risks and included it into the category of Strategic Risks. The company developed a system to assess risks related to compliance with corporate standards and laws in the countries of our operations as well as the principles and criteria of effective anti-corruption processes.

Many of our businesses (DTEK, Metinvest, FUIB, Corum Group, PORTINVEST, Vega) developed regulations to prevent a conflict of interests and external procurement violations. In particular, they adopted policies/procedures on selection of contractors that ensure transparency of procurement.

B4: Support by the organisation's leadership for anti-corruption

Senior executives of all SCM Group's businesses share the ethical principles and management approaches outlined in the corporate documents and to certain extent are engaged in monitoring and continuous improvement of internal standards.

SCM established a Committee for Ethics that includes top managers of the company. The Committee:

- responds to violation reports from employees and monitors the compliance with the principles and codes of our companies
- initiates internal audits and investigations
- assesses sufficiency of facts about the violations and advises on actions and punishment
- makes recommendations related to business ethics
- organizes monitoring of the impact of norms of business ethics on the working environment.

The committee for corporate governance, control and ethics of Metinvest supports and ensures ethical conduct and commitment to the values, policies and procedures of the company and applicable laws. It also independently reviews reports on violations.

DTEK established a department for compliance management to implement its compliance policy and the ethics and business conduct code. It reports directly to the Chief Executive Officer and DTEK's Supervisory Board that ensures a deep involvement of senior management. In turn, the executives at DTEK are obliged to declare regularly the absence of conflicts of interests and compliance with the laws.

B5: Communication and training on the anti-corruption commitment for all employees

Our companies arrange training for their staff on how to apply the codes of ethics and internal corporate standards. For instance, a compliance officer at DTEK regularly trains senior managers and employees on fundamentals of corporate compliance policy, corporate ethics code and anti-corruption standards.

To inform the staff about the ethical principles and instruments adopted to fight corruption, SCM Group applies a variety of communication tools:

- corporate editions (newspapers) and intranet portals
- putting public access documents on information stands at production plants and companies.

Under its compliance programme Metinvest regularly trains employees on its ethics code. The first training began in November 2014 for compliance coordinators at a number of assets.

B6: Internal checks and balances to ensure consistency with the anticorruption commitment

The Group established the following mechanisms to enforce corporate ethical standards including prevention of corruption:

- **Trust Line.** A single Trust Line has been in place at all companies of SCM Group since 2013. It helps to react promptly and efficiently to violations of corporate ethics, abuses, fraud and corruption. Our employees, suppliers and partners can call the SCM Trust Line and report violations they've witnessed when working with the Group's businesses.
- **Whistle-Blowing.** In 2012, FUIB introduced a whistle-blowing procedure. Reports are received via email, at a personal meeting, by phone or drop boxes installed in the bank's headquarters in Kiev and Donetsk and forwarded then to the Compliance Department.
- **Drop boxes.** The employees of SCM Group can report violations of legal, moral and ethical standards by using drop boxes.
- Many of our businesses conduct **anonymous surveys**. For example, DTEK, Metinvest and PORTINVEST surveyed their staff in 2013 on fraud risks and violations of corporate ethics.
- Metinvest established a **compliance coordination function** performed by legal department employees. They are responsible for full and timely implementation of the Compliance Programme, promotion of compliance culture and delivery on all compliance objectives.

B7: Monitoring and improvement processes

SCM Group is focused on monitoring and improving our anti-corruption processes and programmes.

Compliance officers regularly report on performance to the audit committee and ethics committee.

We monitor the efficiency of anti-corruption processes by analysing the statistics of incoming reports to SCM's Trust Line.

The employees handling compliance issues at SCM Group regularly raise their professional skills by taking part in international conferences and undergoing certification procedures.