

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS 2013

STATEMENT OF SUPPORT FROM METINVEST'S CHIEF EXECUTIVE OFFICER

Dear readers,

Metinvest Group is a leading international steelmaking company and the largest company in Ukraine. The group operates production facilities in more than ten cities and has 100,000 employees. That entails a lot of responsibilities – professional, individual and social.

I am pleased to confirm that Metinvest reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of human rights, labor, environment and anti-corruption.

Metinvest continues to put a lot of effort into implementing core elements of sustainable development into all aspects of our business and within our sphere of influence.

In this annual Communication on Progress, we are proud to present our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely,

Yuriy Ryzhenkov
Chief Executive Officer
Metinvest Holding, LLC

METINVEST'S VISION OF SOCIAL RESPONSIBILITY

Metinvest Group's activities are closely connected to the territories where it operates and plays a key role in the future of a number of cities where our plants are the city's main employer. Therefore, we believe in building long-term partnerships based on the mutual interest and responsibility of all parties and that are supported by a strategic vision of our activity.

We understand corporate social responsibility as participation, both financial and non-financial, in local communities that brings positive systemic changes in different spheres of public and private life.

We believe that this approach in today's economic conditions promotes the strengthening of our relationships with customers, employees, investors and partners as well as with a wider circle of people and organizations that we do not interact with directly in the process of our production activities.

As a responsible corporate citizen, we intend to achieve the following socially significant goals:

- Create jobs and improve lives in regions where we operate;
- Raise the quality of human capital in local communities;
- Implement modern management standards in activities connected to charitable and other socially important programs;
- Create favorable conditions for the development of the business environment.

We strive to bring our system of principles and social investment instruments in line with the real needs of Ukraine, its cities and districts and provide harmonized input into the resolution of economic, social and environmental issues.

In the process of planning of our social investment activities, we aim to solve the following issues:

- Increase social investments based on the company's resources;
- Apply a programmatic approach to social investments;
- Raise the transparency of the company's activities;
- Improve the effectiveness of the management of social investments so that the results are the most useful for the company, its stakeholders and the territories where it operates.

Metinvest determines key focus areas for corporate social responsibility activities as follows:

- **Health and safety of employees** - Our employees are our greatest and most valuable asset. We do our best to protect the health and safety of our employees.
- **Welfare and development of employees** - We are committed to making our businesses the most attractive employers in their industries and regions of operation.
- **Local community development** - Our operations have a significant influence on the national economy and local communities where Metinvest Group is present. We seek to create good living conditions in the regions where we operate and contribute to their sustainable development.
- **Environmental protection and energy efficiency** - We are committed to making our companies as energy efficient as possible and to minimize their environmental impact.
- **Stakeholder engagement** - We believe it is necessary to engage in a constructive dialogue with all stakeholders to jointly address social, economic and environmental issues that are important for local communities.
- **Corporate volunteering** - We encourage and support volunteering by employees. The corporate volunteering programs at Metinvest Group make practical contributions toward addressing social concerns. They also help develop our corporate culture and create conditions for our employees to fully realize their potential.

- **Quality of products and services** – Metinvest’s primary objective is to produce quality goods and services that satisfy the expectations and needs of our customers. We also believe it is important to improve our operations continuously by making new innovative products of better quality and offering modern, user-friendly services.
- **Business ethics and corporate governance** - We aim to be a leading national company that meets the highest international standards of business ethics and global practices.

As a responsible corporate citizen, we take responsibility for all our actions for assessing their potential impact on local communities before making final decisions, for contributing voluntarily to the development of local communities, for developing an open and constructive dialog with our stakeholders and for integrating sustainable development principles into all aspects of our business.

ADHERENCE TO THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

United Nations Global Compact Principle	Metinvest's position	Progress in 2013
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 fully supports and respects the internationally proclaimed fundamental human rights and freedoms of our employees and people living in local communities, and has zero tolerance for discrimination. We recognize and accept this as an important part of our social responsibility.</p>	<p>Metinvest fully respects human rights when conducting business and strives to maintain ethical business behaviors. In 2013, there were no human rights infringements reported related to our activities or business relationships.</p> <p>Employees</p> <p>Metinvest is one of Ukraine's largest employers and employs more than 100,000 people worldwide. A key priority for us is to create the right conditions for our staff to be the most productive and efficient and for our most talented people to unlock their potential by progressing into new roles. Many of our employees have worked at our enterprises for generations.</p> <p>One of our main tasks in 2013 was to implement measures to increase employees' engagement in achieving the group's production goals and their sense of loyalty to Metinvest. We identified priorities through an opinion poll conducted by Hay Group: improving the performance management system, encouraging career development and ensuring two-way communication.</p> <p>In 2013, we improved our program to create a leadership talent pool and developed Key Performance Indicator (KPI) systems for key groups of employees, held staff meetings with senior management present, and enhanced internal communications. As a result of these measures, employee engagement increased by 8%, satisfaction regarding potential career growth at Metinvest by 13%, and the effectiveness of the performance management program by 8%.</p> <p>The key elements of Metinvest's HR management system are:</p> <ul style="list-style-type: none"> • Development of corporate culture; • Personnel training and development; • Improvement of motivation, compensation

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		<p>and benefit systems;</p> <ul style="list-style-type: none"> • Improvement of the employee social benefits system. <p><u>Fair remuneration system and performance assessment</u></p> <p>Fair remuneration is not only an important tool to attract highly qualified specialists and thus improve operational effectiveness, but also a key element of our social policy. Metinvest continuously monitors social and economic conditions in the country, in particular, the inflation rate and labor market situation. This monitoring is used to make decisions on wage indexation.</p> <p>In order to optimize personnel costs and introduce a salary system in accordance with the latest labor market practices, we introduced a new grading system at Ilyich Iron & Steel Works of Mariupol in 2013.</p> <p><u>Employee development</u></p> <p>One of our most important HR objectives is to create a talent management system to fill key positions with trained managers who can lead our enterprises, divisions and functions effectively. To fulfil this goal, we are implementing several projects, including the creation of a leadership talent pool for the group and the development of a Corporate University. In 2013, around 1,800 employees were added to the leadership talent pool.</p> <p>Those involved in the talent management system go through a specially developed training program with relevant modules. In 2013, 135 members of the talent pool underwent training at the Leadership Academy, which was devised with Ernst & Young to develop leadership, strategic thinking and the skills needed to apply continuous improvement (CI) methodologies.</p> <p>In addition, more than 9,000 line managers from our enterprises completed the Corporate University's five-module Management DNA program, which was designed to create a skills base for</p>

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		<p>managers using production targets and the CI system.</p> <p>We seek to give our employees every opportunity to improve their professional skills. In 2013, more than 10,500 employees took part in courses to gain further professional qualifications, over 5,000 to increase their grade, and more than 9,000 to learn an additional profession.</p> <p>One of the most important issues for the company is to raise the effectiveness of sales employees.</p> <p>To do this, we created a program specifically for these employees, the Sales Academy. In 2013, the first three modules of the comprehensive training program were developed and conducted.</p> <p><u>Staff involvement</u></p> <p>In 2013, to raise the effectiveness of cooperation between top management and employees, the level of involvement of employees and employees' awareness of the strategic goals and tasks of the company, Metinvest created an internal communications function.</p> <p>In 2013, a feedback system was created at all of Metinvest's enterprises. This system operates via 12 corporate newspapers, hotlines and SMS-lines at the enterprises, and during working meetings and direct meetings with management.</p> <p>At the end of 2013, Metinvest implemented a centralized system for collecting and analyzing feedback through four channels – working meetings, feedback mailboxes, personal meetings with management and corporate media.</p> <p>Employee feedback provides an informal view of the situation amongst the staff and gives a better understanding of the mood of workers so that management can correct their actions.</p> <p><u>Social programs for employees</u></p> <p>Metinvest seeks to improve working conditions for its employees wherever possible. Since 2012, at all of our Ukrainian enterprises, we implemented a social program called "Working Life." As a result of the program, in 2013, more than 550 amenity areas for workers were upgraded at a total cost of around \$3.4 million and the status of more than</p>

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		<p>2,500 amenity areas was upgraded from “poor” or “unsatisfactory” to “good.”</p> <p>To increase employee loyalty, Metinvest is implementing group-wide social programs to support retired employees, the disadvantaged and youth. In 2013, we held the Metinvest Olympics, in which teams from 20 enterprises took part. We also started the “Hello, Veteran!” program through which we provided support to more than 66,000 former employees and pensioners.</p> <p>In 2013, as part of the “Children’s Zone” program, the company subsidized the visits of around 20,000 children of employees to summer camps, who took part in “A Day with Metinvest” special event designed to teach more about the group.</p> <p>In 2013, around 31,500 employees took vacations at facilities owned by the group’s Zdravnitza Plus company.</p> <p><u>Health and safety</u></p> <p>Improving the health and safety of our employees is at the top of the list of our strategic priorities and maintaining the highest standards in the workplace is a core value. Since our company was founded, we have reduced lost-time incidents at our facilities significantly by making major investments in production processes, safety equipment and systems, and training. We have also invested in occupational health to identify risks and introduce safer working practices.</p> <p>We consider it important to create a culture based on the notion “safety first” and accountability when rules are violated. We have a dedicated Health, Safety and Environment (HSE) Committee that oversees our safety systems and ensures compliance with local regulations and international best practices. It reports directly to the Supervisory Board.</p> <p>Metinvest spent \$138 million on employee health, protection and safety in 2013, representing 1.1%</p>

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		<p>of annual revenues.</p> <p>Last year, 7,041 employees underwent training in corporate HSE standards, including HAZID, ENVID, HAZOP, LOTOTO and permit-to-work procedures across the group. We continued to introduce corporate safety standards covering work practices across our enterprises, while training our managers in programs on these standards. More than 40,000 employees took part in safety trainings.</p> <p>We pioneered an initiative to provide enhanced medical checkups for all "HSE-critical jobs" include screening employees for acute health issues that could pose safety hazards at work. "HSE-critical jobs" are those where health issues could have serious implications in the workplace, such as where other people could be placed in danger or equipment is at risk of being damaged. In 2013, we screened 100% of employees identified by the holding as having "HSE-critical jobs;" this amounted to a total of over 26,000 people. Metinvest is the first large industrial company in Ukraine to undertake such an initiative.</p> <p>Metinvest Group developed and implemented a corporate standard on pre-hospital and specialized care in 2013. More than 1,400 medical and non-medical personnel attended trainings on the new standard. The company bought and uses additional medical equipment for these purposes, including for first-aid stations, medical transportation.</p> <p>Relations with local communities</p> <p>Metinvest has been implementing community-based social programs and approaches based on long-term investments and increased involvement from local communities according to the Company's local community investment policy since 2011.</p> <p>Metinvest spent around \$13 million on corporate social programs in 2013.</p> <p>Strategic development of cities</p> <p>Metinvest is working with cities where it operates to develop strategic development programs with a focus on the long-term. Based on experience with</p>

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		<p>the long-term strategy in Krasnodon, a similar strategy was developed for the city of Avdiivka until 2020. The main priorities of the program were to support small and medium sized businesses, create favorable conditions to attract investments, develop new social services, improve the beauty of the city and protect the environment.</p> <p>This approach has allowed us to focus on development, resources for really important projects and investments into large-scale projects.</p> <p>Social partnership program</p> <p>Metinvest's social partnership program is its primary channel for implementing social policies. We invested around \$11 million in local community projects in Ukraine in 2013, in line with the previous year, and built on our social partnership agreements with nine cities in three regions where we have production assets. In each city, Metinvest has supported the development of social infrastructure projects, such as creating recreational areas, equipping parks and sports areas, and investing in educational and healthcare institutions. We implemented more than 130 major projects through this program in 2013.</p> <p>We pressed ahead with the pioneering "The City – Our Hands" initiative, which allows residents to create projects and obtain funding to change their communities at the grassroots level. As part of this initiative, 81 small and medium-sized projects were implemented in 2013.</p> <p>Metinvest also offered training in social project design and management skills to participants. Most of the selected projects were dedicated to healthy lifestyles, sports, the environment, child development and recreation. For example, in Kryvyi Rih they built two bicycle riding paths and in Makiivka – a brass band for children. Entrepreneurs in Komsomolske can now get trained in a new center and young people in Avdiivka can get lessons in a specialized psychological art studio.</p> <p>Development of children and youth football</p> <p>In cooperation with Football Club Shakhtar, Metin-</p>

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		<p>vest has been implementing the "Children and Youth Football Development" program since 2011. The company invested around \$1.5 million into this program in 2013. Youth football academy branches, supported by the program, are operating in every city in which Metinvest is present and provide training in football to almost 1,700 children aged 8 to 13 years old.</p> <p>Metinvest also invested around \$0.3 million into the repair of a football stadium in Kryvyi Rih .</p> <p>The annual football competition among children and youth for Metinvest's Cup is the highlight event for program participants. The tournament was first held in 2011. The winners receive awards at Donbass Arena in Donetsk at halftime during FC Shakhtar home games.</p> <p>Metinvest Green Center</p> <p>With our continued focus on improving the environment, we launched a major new initiative in Mariupol and Yenakiieve called Green Center to landscape yards, children's playgrounds and parks, in addition to removing rubbish.</p> <p>The Metinvest is focused on cooperating with the community, NGOs, experts and authorities; it supports local environmental initiatives, environmental education and ecological volunteer work.</p> <p>In 2013, we cleaned up around 500,000 square meters of land and disposed of some 350 tons of waste.</p> <p>Around 1,200 volunteers participated in Metinvest initiatives.</p>
Labor		
<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all</p>	<p>The company provides equal opportunities to employees based on their professional qualities irrespective of their age, sex, nationality, religious beliefs and political views.</p>	<p>Metinvest has never used compulsory or child labor. In 2013, 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.</p>

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<p>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>On April 24, 2013 Metinvest held a joint meeting with the leadership of trade unions of metallurgists and miners of Ukraine on the implementation of an industry agreement for 2012. At the meeting, it was decided that this agreement was implemented satisfactorily. It was also decided to focus on the implementation of the standards of Ukrainian legislation on social dialogue, especially in the course of collective negotiations.</p> <p>We also continue to assist other employee organizations such as youth associations, councils of veterans, and women's associations. There are 15 organizations of veterans that are functioning at Metinvest group enterprises that have 87,700 members.</p> <p>One of the main instruments of youth policies at Metinvest Group's enterprises is corporate youth organizations. There are currently 16 such organizations. Youth organizations' activities are regulated by the provisions of collective agreements.</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, accidents, and environmental impact have been in progress since the Company was founded.</p>	<p>At Metinvest, we understand that our activities have a major effect on the environment, both locally and globally. We adhere to local environmental regulations wherever we are present, and our strategy envisages complying with the highest European and international standards.</p> <p>By the end of 2013, 10 of our plants were certified as compliant with ISO:14001 environmental standards, and our strategy envisages that the other plants will become compliant in the next few years.</p> <p>In line with our updated Technological Strategy, we invested \$446 million in environmental initiatives in 2013.</p> <p>Among the key projects in 2013 were:</p> <ul style="list-style-type: none"> • In our Metallurgical Division, major environmental projects included the overhaul of Blast Furnace #5 and the installation of a modern blast furnace gas cleaning system at Yenakieve Steel. In addition, at Ilyich Iron & Steel Works of Mariupol, we overhauled a converter system

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		<p>and built nitrogen-based dust suppression systems at Blast Furnaces #1-5, reducing dust emissions from them by 50%.</p> <ul style="list-style-type: none"> • We are also pressing ahead with modernizing our sinter plants, a key initiative to drastically reduce emissions. In 2013, we continued preparations to build a new, environmentally friendly sinter plant at Yenakiieve Steel. In December, we signed an agreement with Italy's Termokimik Corporation to prepare an engineering plan to modernize the sinter plant at Ilyich Iron & Steel Works of Mariupol, including the installation of new filters to remove dust and sulfur from emissions. We budgeted \$180 million for the work, making the project the largest of its kind in Ukraine's recent history. • In our Mining Division, key environmental initiatives included the introduction of TNT-free explosives and various dust suppression measures during blasting at Northern Iron Ore Enrichment Works's quarries, which decreased emissions by 5,000 tons. At Central Iron Ore Enrichment Works and other plants we processed 8.3 million tons of enrichment sludge to recover an additional 1 million tons of iron ore concentrate.
Anti-Corruption		
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	The group strives to maintain the highest levels of corporate governance and transparency throughout all of its activities and communications.	<p>Metinvest recognizes the importance of appropriate corporate management and supports high levels of transparency and communications in accordance with international 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 2013, we launched a test version of a unified electronic database with documents on corporate management for all enterprises of the group. The goal was to optimize the workflow, inform the enterprises of new and existing procedures, provide access to corporate documents, and systemize information on key corporate management processes within the group.</p> <p>In 2013, we continued to develop our corporate governance institutions, including by publishing a</p>

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		<p>Code of Ethics and distributing it to help employees at all levels to understand compliance requirements and their obligations. The code sets the standards and framework for ethical business conduct for company employees to follow in their everyday activities. These norms and standards are based on our values and promote good faith and fair dealing with other employees, business partners, shareholders, customers, suppliers, the public and government bodies.</p> <p>In addition, we established a confidential hotline to allow employees to report compliance and safety concerns.</p> <p>We support the right of every employee and other interested parties to express concerns about their work and to report misconduct. To this end, we established a confidential hotline to allow employees to report compliance and safety concerns.</p> <p>A "Supplier Selection Procedure" Manual was approved and implemented in 2011 to ensure transparency and fairness of the process of evaluating and selecting suppliers.</p>

For more information, please see Metinvest's Annual Report for 2013 and our website:

http://www.metinvestholding.com/upload/metinvest/report/29/Metinvest%20Annual%20Report%202013_web.pdf

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

More detailed information on these activities will be presented in Metinvest's Social Report for 2013-2014 in July 2015.