

SCM Group
Communication on Progress Report
2015

**To: Executive Director of
United Nations Global Compact
Lise Kingo
10017 New York
USA**

Dear Ms Kingo,

I am happy to present to you SCM Group's Communication on Progress 2015 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.

In 2015, the operations of our businesses located in the conflict zone were repeatedly suspended because of damages and disruptions to transport infrastructure, water and electricity supplies. Each time we had to recover from this and renew our efforts to have these plants and the economy working, pay salaries to our employees and taxes to the government. SCM Group employees – around 300,000 people – showed determination, courage and responsibility in those hardest times and continued to work day after day for the benefit of their companies, communities and the nation. This is especially true for those who live and work in Donbas. SCM Group employees rebuilt not only their factories, but helped their home cities and towns heal the wounds of the war. For me, these people are real heroes.

We managed to retain our businesses and employees, despite the challenging financial and economic situation and the drop in prices for raw materials and energy. We did not only retain our businesses and employees, but also made them more effective. **We invested nearly UAH 13 billion in modernisation programmes** to buy new equipment and on overhauls and repairs. We have always been committed to making our companies and plants the most energy efficient and environmentally friendly in Ukraine.

We also continued investing in the sustainable development. SCM Group directed **over UAH 8 billion** to programmes and projects for employees' health and safety, personnel training and development, environmental protection, and development of cities, towns and villages where we operate. Our industrial businesses joined efforts with communities to decide together on projects that would make people's life more comfortable in their localities. These initiatives helped build sports grounds, improve parks and public gardens, and fit out clinics and hospitals throughout Ukraine.

Another important figure I would like to tell you about is the amount of **taxes paid by SCM Group to national and local budgets, which was almost UAH 32 billion**. SCM has been the biggest Ukrainian taxpayer over the past few years. For comparison, our taxes paid in 2015 could fully fund the operations of the Ministry of Public Health, Ministry of Education and Ministry of Youth and Sports of Ukraine.

My statement would be incomplete without expressing my deepest gratitude to the volunteers of the Rinat Akhmetov Humanitarian Center. The Humanitarian Center has helped **more than 1,000,000 civilians living in Donbas on both sides of the contact line by distributing over 9,000,000 humanitarian food packages to citizens and delivering tens of thousands of tonnes of food products to the region.** We believe that peace will come to Donbas soon and hundreds of thousands of people will be able to return to their homes. In the meantime, I once again wish to express my deep appreciation to all SCM Group employees who courageously face all these difficulties and continue to help others who are even in a worse situation. Hard times reveal people's true qualities. I see that my colleagues show kindness, compassion and willingness to help others.

Oleg Popov

Chief Executive Officer, SCM

SECTION 1. ABOUT SCM GROUP

SCM is Ukraine's largest private financial and industrial group with hundreds of production and non-production companies that provide jobs to hundreds of thousands of people. SCM's shareholder is Ukrainian businessman Rinat Akhmetov.

SCM Group in numbers, 2015



OUR PRINCIPLES AND VALUES

Our mission: driving together to success

By investing in the continuous growth and effectiveness of our business, we contribute to the economic and social development of our entire society.

Our vision: to create through development

We create efficient businesses and manage them applying the best global standards and practices, ensuring long-term return on our investment and making contribution to the development of the communities where we operate and Ukraine as a whole.

Our values:

- honesty and integrity
- responsibility
- effectiveness
- professionalism

SCM GROUP¹ STRUCTURE

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 a strategic holding company that manages three operational sub-holding companies with the assets in the coal mining, thermal power energy generation and distribution sector, alternative energy and gas production. DTEK makes a significant contribution to the energy independence and energy efficiency of the Ukrainian economy.

Banking and insurance

First Ukrainian International Bank (FUIB) is among top ten largest financial institutions of Ukraine by key financial performance.

ASKA insurance company is one of Ukraine's leading insurance companies operating in the national market for 25 years and providing property, casualty, car and health insurance.

Aska-Life is one of Ukraine's leading full-service life insurance companies.

Telecommunications

Ukrtelecom is one of the leading national telecom operators providing a full range of modern telecommunication services across Ukraine and is a market leader in the Internet access and fixed-line telephony markets.

Vega Telecommunications Group is a leading telecom operator in Ukraine, offering modern integrated solutions to provide fixed telephony, broadband Internet access and data transmission services. The Group operates in more than 160 cities and settlements in 22 Ukrainian regions.

Real estate

ESTA Group is one of the biggest players in Ukraine's commercial 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 Donbas Palace Hotel (Donetsk), Opera Hotel (Kyiv), Park Inn by Radisson Donetsk, Pushkinsky Business Centre (Donetsk), the second stage of Leonardo Business Centre (Kyiv) and office premises in Donetsk and Kyiv. ESTA also develops such projects as Kyiv TSUM shopping mall reconstruction, a cultural centre in Andriivsky Descent in Kyiv and Pluty Cottage Complex in Pluty village, Kyiv Oblast.

¹ The information about SCM Group's structure is correct as of 2015. For more about SCM Group's structure in 2016, please go to www.scmholding.com

Media business

[Media Group Ukraine](#) is a media holding that manages TV, publishing, print and new media projects of SCM Group: Ukraina national general-interest TV channel, Futbol 1 and Futbol 2 thematic channels, NLO TV channel, Indigo TV, Regional Media Group (TV channels Donbas, Channel 34, Sigma and Sfera), Mediapartnership sales house, Digital Screens (oll.tv, XTRA.TV), Tele Pro production company, Front Cinema, Dopomozhemo TV and Segodnya Multimedia holding².

Heavy engineering

[Corum Group](#) is an expert in mining business. The company focuses on hi-tech integrated solutions, production and maintenance of equipment used in mining, processing and transportation of mineral resources, as well as construction of mines. Corum's equipment is used by mining companies in 15 countries.

Raw materials production, processing and trading

[UMG](#) is a company operating in raw materials production, processing and trading. The main areas of operations include clay production, limestone and dolomite mining, processing and sales of by-products of thermal power plants, sales of noble and industrial gases, and trading. The geography of the company's deliveries covers 30 countries.

Filling stations

[Parallel](#) is a leading wholesaler and retailer of oil products in eastern Ukraine. The company has two large oil terminals in Dnipropetrovsk and Donetsk oblasts and owns a fleet of modern petrol and gas trucks.

Grocery retail

[Ukrainsky Retail](#) develops SCM's grocery retail business under the Brusnychka brand in central and eastern Ukraine. Established on 13 September 2006, the chain includes 101 stores located in Donetsk, Kharkiv, Dnipropetrovsk, Luhansk, Zaporizhia and Poltava oblasts. Brusnychka operates a neighbourhood store format. The stores normally occupy an area of 300-400 sq m and offer a choice of around 4,500 SKUs.

² Segodnya Multimedia publishes newspapers *Segodnya*, *Priazovskiy Rabochiy*, *Donetskiye Novosti*, etc. and operates printing shops in Vyshgorod (Kyiv Oblast) and Mariupol (Donetsk Oblast). Furthermore, the group runs news websites www.segodnya.ua, www.dnews.donetsk.ua, www.pr.ua, www.vecherka.donetsk.ua, www.gorod.dp.ua, and publishes a digital magazine My Weekend.

Transportation

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

[Lemtrans](#) is a freight forwarding company with the biggest private fleet of open railway cars in Ukraine that offers a full range of rail freight transport services.

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

Agriculture

[HarvEast](#) manages agricultural assets in Donetsk Oblast. Its focus areas include crop raising, dairy farming, compound feed production and seed crop rearing.

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.

SECTION 2. OUR UNDERSTANDING OF CORPORATE RESPONSIBILITY

SCM Group embraces over 100 companies and industrial plants that provide jobs and good salaries to hundreds of thousands of people. We follow core principles and values that lie at the heart of our operations. They help us reach our main goals – increase business efficiency and contribute to the social and economic development of Ukraine.

For SCM 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 Ukrainian people are equally interested in it.



Our way towards a sustainable development model

2006-2008:

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

2009-2011:

- Managing company 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

2014:

- New SCM Group Sustainability Policy developed and implemented across the Group

2015:

- Implementing Strategic Sustainability Goals

SCM GROUP STRATEGIC SUSTAINABILITY GOALS

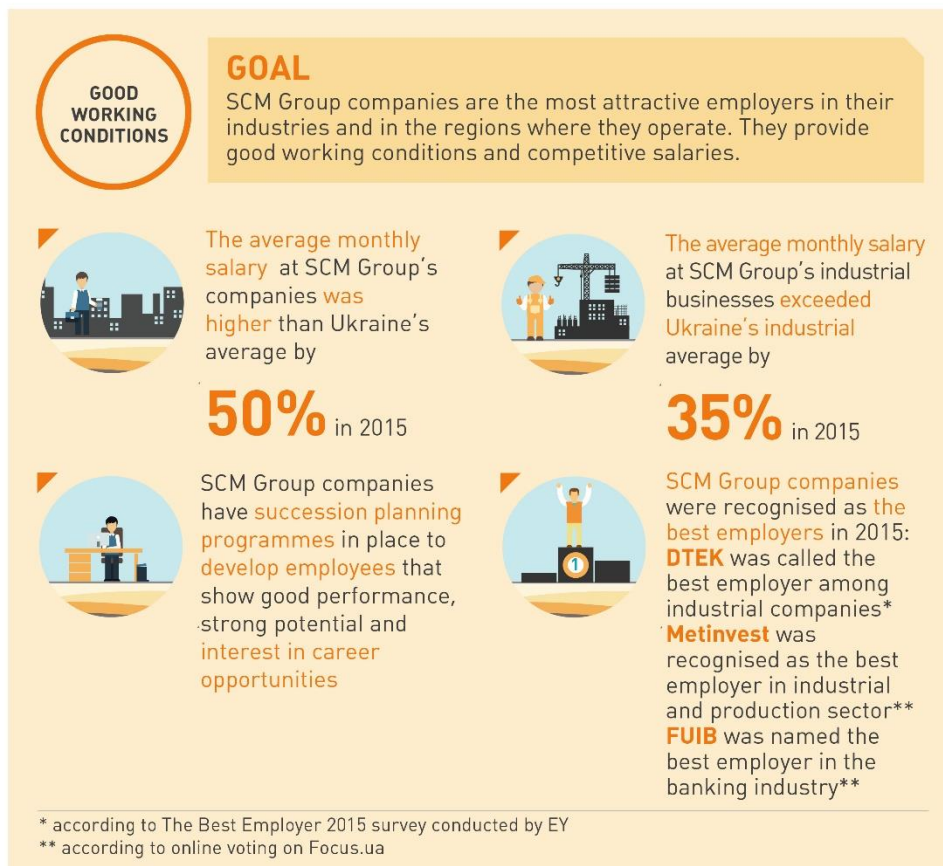
In 2013, we set out SCM Group's strategic sustainability goals so that our employees, citizens of the communities where we operate, our partners and all stakeholders understand our sustainability priorities and what we aim to achieve.

The goals make an integral part of our development strategy and have been adopted by all SCM Group businesses.

SCM GROUP SUSTAINABILITY GOALS			
Safety of our employees		We take 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 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 community		Our companies create good living conditions in the regions of their operations.	
Environment		Our industrial businesses meet EU air emission standards. Our industrial businesses 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.	

In 2015, SCM Group companies continued to implement strategic sustainability goals of SCM Group.

We also assessed **progress we made in 2013-2015 in the area of sustainable development.**





**LOCAL
COMMUNITIES**

GOAL

We create good living conditions in the regions of our operations



SCM Group engages local residents and civil associations to roll out Social Partnership Programmes (SPP) in the towns and villages where we operate

In 2013-2015 SCM Group companies

invested more than
UAH 550 million

implemented more
than **600** projects

Key investment areas

- developing infrastructure in cities and towns
- health care
- education
- developing business environment
- engaging local communities
- environmental responsibility, energy efficiency
- culture
- sports

Project geography

more than
100
localities

11
Ukrainian oblasts

We take a strategic approach to the development of cities and towns where we operate



Metinvest is set to become a key partner of the Mariupol Development Fund for implementing socially important projects that will be designated within the 2021 Development Strategy for Mariupol



DTEK devises strategies for developing the areas of its operations for 2016-2018 together with authorities, NGOs and local residents.



Metinvest and **DTEK** were among the first Ukrainian companies to sign social partnership agreements with local authorities in 2008 to develop the areas where they operate.



ENVIRONMENT

GOAL

SCM Group industrial businesses meet EU air emission standards and apply the best global practices in terms of the quality of discharged waste water and waste management

**MODERNISING
METINVEST STEEL PLANTS**



A sinter plant at Illich Iron and Steel Works will be reconstructed by 2019. The initiative is unprecedented in scope and environmental effect over the history of independent Ukraine.



\$220 million invested in modernisation



dust emissions to be reduced by **90%**



sulphur emissions to be reduced by **46%**



Reconstruction of Azovstal's blast furnace No. 4 (2014-2015)



\$90 million invested in modernisation

**MODERNISING
DTEK THERMAL POWER PLANTS**



Electric filters replaced at **7** power units in 2013-2015 to meet European environmental standards



Gross air emissions reduced by **21** times compared with the pre-reconstruction period



UAH **5** billion invested by DTEK in modernisation of power units in 2013-2015



SCM Group companies follow **Green Office** principles

ISO 14001 environmental systems are in place at the biggest industrial businesses of Metinvest and DTEK

UAH 16 billion invested by SCM Group in the environmental projects in 2013-2015



**ENERGY
EFFICIENCY**

GOAL

SCM Group industrial businesses meet the best global practices in the efficient use of fuel and energy.



Metinvest and DTEK are implementing large-scale modernisation initiatives to transform their plants into state-of-the-art, efficient and eco-friendly facilities



In 2013-2015, we continued upgrading production and using energy saving technologies to improve energy efficiency of our companies



ISO 5001
energy management systems are in place at the biggest industrial businesses of Metinvest and DTEK

DEVELOPING WIND INDUSTRY



In 2014, DTEK completed Zaporizhia-based Botieve wind farm of

200 MW



Botieve wind farm is one of DTEK's biggest investment project amounting to

€ 340 million



Annual reduction of emissions in CO₂e totals

730 million tonnes



The wind farm will generate about

600 GWh
of green electricity a year

BUSINESS ETHICS

GOAL

SCM Group's companies meet the highest international standards of business ethics



ACHIEVEMENTS

All SCM Group companies have the codes of ethics in place that establish common principles and values shared by all employees of SCM Group companies in their day-to-day work

SCM GROUP SUSTAINABILITY POLICY

A common Sustainability Policy has been in place at SCM since 2014. It replaced the Corporate Responsibility Policy which had been used by SCM Group 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 to section [Sustainability section](http://www.scmholding.com) on 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 promote and explain them in Ukraine.

Since 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 organisational work both inside and outside Ukraine.

We also participate in the initiatives of national and international expert organisations which promote CSR and sustainable development ideas in different sections of society.

SCM CONTRIBUTION TO PEACE AND STABILITY IN DONBAS

Donbas has been experiencing hostilities since spring 2014. The conflict has destroyed dozens of towns and villages, killed and injured civilians of Donetsk and Luhansk oblasts. According to the UNO, the conflict in Donbas has affected more than 5 million residents of Donetsk and Luhansk oblasts³. Their houses were destroyed and hundreds of thousands of families have to stay without water, heat and electricity because of the damaged infrastructure. Over 3 million of Donbas residents are in need of humanitarian aid⁴, including food and essential items. Residents in the conflict area, especially those who live in the non-government controlled area and in the so-called grey zone, were hit the most. They face difficulties in realizing their economic and social rights and suffer from limited access to medical and social services as well as to compensation mechanisms for damaged or looted property.

Thousands of houses, dozens of kindergartens, schools and hospitals have been ruined by the hostilities and hundreds of thousands of people have had to leave their homes. In these circumstances SCM Group has been trying to help people facing the difficult situation. To help civilians of Donetsk and Luhansk oblasts, we pooled resources of Rinat Akhmetov Foundation, all SCM Group businesses and FC Shakhtar within the Humanitarian Center – a project of Rinat Akhmetov Foundation established on 6 August 2014. The Rinat Akhmetov Humanitarian Center is one of the largest providers of humanitarian aid in Ukraine and follows the core humanitarian principles of efficiency, transparency, neutrality and balance in their work. The Center operates on both sides of the contact line. Over one year (August 2014 – December 2015) the Humanitarian Center **has helped 1,000,000 civilians** living in Donbas on both sides of the contact line, distributed over **9,000,000 humanitarian grocery kits** and delivered tens of thousands of tonnes of food.

The Center also works closely in partnership with UN agencies and international NGOs such as World Food Programme, the Red Cross and many others. It also plays a key role as part the United Nations-led Humanitarian Country Team which coordinates humanitarian aid relief work in Ukraine. Jock Mendoza-Wilson, SCM's Director of International and Investor Relations, is a member of this organization alongside UN agency and INGO heads.

Thus, in time of crisis SCM has transitioned from business with a strong focus on corporate responsibility and philanthropy to humanitarian work to serve the needs of Ukrainian citizens in need. We have also become a symbol of stability and hope for those caught up in the consequences of armed conflict in Donbas.

³ Data as of the end of 2015. Source: [UN Office for the Coordination of Humanitarian Affairs \(OCHA\)](#)

⁴ Data as of September 2016. Source:

http://reliefweb.int/sites/reliefweb.int/files/resources/Humanitarian%20Snapshot%20_September%202016.pdf
www.scmholding.com

SCM Group's contribution as a business to peace and stability goes beyond humanitarian aid. Now we have 70,000 employees living and working in the non-government controlled areas and many more near the contact line⁵. We continue to operate our businesses and pay salaries to our employees giving them and their families stability and income where little employment currently exists.

Our businesses too are active community partners helping citizens to restore damaged infrastructure⁶. For example, DTEK has worked tirelessly to repair damaged electrical power lines to bring electricity back to homes and businesses and to restore water supplies. Metinvest has helped citizens reconstruct shell-damaged homes, schools and other buildings and taken the lead repairing essential infrastructure in Mariupol, including railway lines and bridges damaged during the conflict.

We believe that business can and should make a contribution to stability and peace in conflict areas. We provide help and deploy our resources, expertise and money to make a difference.

Deliverables⁷ of the Rinat Akhmetov Humanitarian Center:

Humanitarian Aid. Food Parcels

Programme goal: satisfy basic nutrition needs of the most socially vulnerable groups of Donbas civilians (pensioners, the disabled, families with many children) living on both sides of the contact line.

Programme launch: 22 August 2014

Programme status: in progress

Geography: 310 towns and villages in Donetsk and Luhansk oblasts

Total number of recipients: 852,476 received food parcels

- 400,000 people on both sides of the contact line receive food parcels every month
- 4,640,983 food parcels for adults distributed to civilians of Donetsk and Luhansk oblasts
- 2,615 trucks sent to Donbas
- 52,300 tonnes of food delivered to warehouses in Donetsk and Mariupol
- 76,000 survival kits distributed by mobile volunteer teams

⁵ For more information about SCM Group operations in Donbas, please go to *SCM Group Businesses in Donbas. Current Status* <http://rebuild.scm.com.ua/en/>

⁶ For more about SCM Group's contribution to restoring damaged cities and towns, please read our [Sustainability Report for 2015](http://www.scmholding.com) at SCM website <http://www.scmholding.com>

⁷ For more about the programmes implemented by the Humanitarian Center, please go to http://www.fdu.org.ua/en/hum_center/report
www.scmholding.com

Let's Help Children

Programme goal: provide children under 2 years of age who reside in Donbas on both sides of the contact line with baby food, hygienic items and medicines.

Programme launch: October 2014

Programme status: in progress

Total number of recipients: 53,658 people

Targeted assistance

Programme goal: help “right here and right now” to Donbas civilians who have faced difficult life situations and provide assistance to those who are in need for urgent help: treatment of grave diseases, surgeries, provision of vital drugs, targeted delivery of groceries, funds to pay for a funeral of killed relatives.

Programme launch: 6 August 2014

Programme status: in progress

Total number of recipients: in 2015, 21,353 people received targeted assistance from the Humanitarian Center, including 1,105 seriously ill children.

Help. Health

Programme goal: help provide qualified medical assistance, deliver and distribute medical drugs to the most socially vulnerable civilians of Donbas: pregnant women, mothers and children, and the elderly

Programme launch: November 2014

Programme status: completed in February 2015

Total number of recipients: 20,060 people

Psychological Assistance for Children

Programme goal: help children and their parents to overcome stress caused by the armed conflict in Donbas, train crisis physiologists on the War Trauma programme to provide qualified psychological assistance to civilians of Donetsk and Luhansk oblasts in the conflict zone as well as to IDPs.

Programme launch: November 2014

Programme status: in progress

Total number of recipients: 40,224 people received psychological assistance

Peaceful Summer for Donbas Children

Programme goal: give an opportunity to Donbas children to have some rest and recover during summer vacations.

Programme launch: 6 July 2015

Programme status: completed in August 2015, continued in summer 2016

Total number of recipients: 2,800 people

Humanitarian Map

Project goal: receive consolidated information about humanitarian needs of civilians of Donetsk and Luhansk oblasts and predict the unfolding of events on the basis of collected data and deliver assistance where it is needed most.

Programme launch: October 2014

Methodology: social opinion survey is conducted on a quarterly basis by using a telephone interview (CATI) with the people aged over 18. In 2015, the data were collected four times: in March, June, September and December.

For more information about the Map, please go to http://www.fdu.org.ua/en/humanitarian_map

Future Plans

In 2016, the Humanitarian Center will continue to deliver survival kits to both children and adults living in Donbas and provide targeted assistance. Psychologists trained by the Rinat Akhmetov Humanitarian Center in the War Trauma training programme will be able to attend advanced courses in 2016.

The Center is going to launch a new area – rehabilitation of injured children. The new programme offers rehabilitation opportunities to all injured children under 18 from Donetsk and Luhansk oblasts in specialized centres as well as provides with all the necessary rehabilitation devices.

Also, Rinat Akhmetov Foundation will continue *Say No to Orphanhood* programme and launch a new area, *Counselling*, in 2016. Counselling is a new area for the Foundation. The project seeks to prepare orphans to live independently.

For more about the Rinat Akhmetov Humanitarian Center, please go to <http://www.fdu.org.ua/en>

SECTION 3. ADOPTING TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT IN OUR STRATEGY AND ACTIONS

HUMAN RIGHTS

Principle 1: Businesses must 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.



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 2013-2014, most of our businesses reviewed their corporate codes of ethics ([DTEK](#), [Metinvest](#) and [FUIB](#)) and harmonised them with How We Work. A number of companies developed 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 Segodnya Multimedia publishing holding) abide by the ethical principles as they create content and seek to offer objective, accurate, balanced and unbiased information to the society. Editorial standards⁸ 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 go to SCM's website www.scmholding.com to the section [Corporate Governance](#)

SCM Group has the **Trust Line** in place 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 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.

Trust Line contacts:

0800-60-0777 (all calls are toll-free within the borders of Ukraine) or email trustline@scm.com.ua

⁸ For more about the Editorial standards of Media Group Ukraine, please go to <http://sobytia.tv/ru/standarts/>
www.scmholding.com

Local community development

We help 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)⁹ is our key instrument in the field.

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.

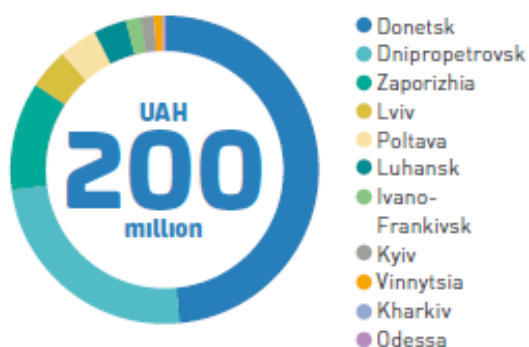


⁹ For more about the Social Partnership Programme of SCM Group, please see our sustainability reports at <http://www.scmholding.com/en/sustainability/>
www.scmholding.com

**SCM GROUP INVESTMENTS IN SOCIAL PARTNERSHIP
PROGRAMMES BY AREA, 2015**



**SCM GROUP INVESTMENT IN SOCIAL PARTNERSHIP
PROGRAMMES BY OBLAST,
2015**



In 2015, we rolled out SPPs in more than 50 localities of 11 regions of Ukraine: Vinnytsia, Donetsk, Dnipropetrovsk, Zaporizhia, Ivano-Frankivsk, Kyiv, Luhansk, Lviv, Odessa, Poltava and Kharkiv oblasts.

In 2015, SCM Group implemented more than 500 projects under the Social Partnership Programme with the total investment of more than UAH 200 million.

In 2015, the Group rolled out SPPs to improve the living standards in the cities, towns and villages where our companies operate. Our grant programmes, Improve Our City (Metinvest) and Our Town in Our Hands (DTEK), engage active residents of 24 towns and villages in Donetsk, Dnipropetrovsk, Luhansk, Zaporizhia, Lviv, Vinnytsia and Ivano-Frankivsk oblasts to make their places more comfortable for living.

Proactive individuals and authors of creative ideas find support for their energy and enthusiasm by submitting ideas to win mini-grant competitions. Their ideas refer to landscaping, development of children and youth talent, promotion of sports and healthy living.



Corporate volunteering

Corporate volunteering is another area that SCM Group continued to develop actively in 2015. Employees of SCM Group businesses organized dozens of volunteering events with engagement of over 30,000 people. Major areas of focus included infrastructure development, environmental activities and help to the people in need.

SCM Group's employees help people who had to flee their homes because of the hostilities in the east of Ukraine: they collect clothes, footwear, medicines and other essentials for those who found themselves in challenging life situations. Marinka District, Donetsk Oblast (where Kurakhove town is located) had 6,700 internally displaced people registered as of early February 2015. The town accommodated families with small kids and people with disabilities in a building converted into a hostel. Over 300 internally displaced schoolchildren badly needed stationery in Kurakhove. As back as 2014, employees of DTEK Kurakhivska TPP launched a centre to collect humanitarian aid for IDPs. In 2014-2015, they collected five batches of humanitarian aid: over 1,500 pieces of clothes, footwear, bedding items, medicines and food. Moreover, volunteers of the plant collected clothes and stationery for internally displaced schoolchildren. Corum employees also helped Donbas IDPs: they collected medicines, food, stationery, toys and other essentials for families in need currently living in Kharkiv and Kyiv.

SCM continues its corporate volunteering initiatives, Clean City and Green City, that unite thousands of our employees throughout Ukraine to make their cities, towns and villages cleaner and more comfortable. In April 2015, the Clean City campaign brought together about 30,000 SCM Group's employees in over 700 localities across our country. The participants collected over 1,500 tonnes of debris in parks and public gardens just over several hours. About 15,000 SCM Group's employees with their families and friends took part in the Green City traditional volunteering campaign on 10-17 October 2015. The action covered about 100 cities, towns and villages where we operate. SCM volunteers planted trees, took away organic waste, disposed illegal dumps, and repaired fences, benches and children's playgrounds.



In 2015, ESTA and FUIB joined the Donor Day campaign. The Donor Day is a nationwide initiative uniting thousands of people willing to save someone's life. Regrettably, Ukraine has no national blood centre, information collection hub or opportunities to distribute and deliver blood – it has no blood donation system as such. Consequently, some hospitals lack blood and others have too much unused blood which is sometimes even disposed.

Now the donor movement in Ukraine is gaining momentum. Realizing the issue, ESTA employees took an active part in the Donor Day campaign in 2015. The event was organized by Tabletochki charity in Ilyinsky business centre. ESTA invited not only its employees, but also its business partners and other companies working in the business centre to join the initiative. Staff members of FUIB and Aid+Help Humanitarian Center participated in the campaign as well.

Before donating blood in a mobile station arranged in Ilyinsky, every participant had a mandatory medical checkup including the arterial tension measurement and a blood test. Following the 15-20 minutes' procedure, the Blood Centre specialists decided whether a participant could be a donor.

Every year hundreds of our employees (including FUIB and Vega Telecommunications Group) and their families take part in the Run Under the Chestnut Trees¹⁰ arranged in Kyiv in May. Thousands of committed people who take part in the marathon help children with heart diseases. Donations are given to the Children's Cardiology Centre of the Ministry of Health Care of Ukraine to buy necessary equipment and medicines to save children with congenial heart diseases. Teams consisting of Vega and FUIB employees eagerly participate in such charitable events. They lead the way, showing how all of us can help those in need.

Employees of our companies join efforts to help orphans and students of special training and rehabilitation centres. We understand that children need not only clothes and toys but rather our attention, care and love. Young specialists of Corum plants in Kharkiv, Druzhkivka and Kryvy Rih who are members of the Youth Union happily give a part of their souls to the kids. They talk to them, play different games and conduct master classes. The Youth Council of Corum Svitlo Shakhtaria helps kids in the Otchy Dim children's help centre (Vysoky village, Kharkiv Oblast). This good tradition has been supported by volunteers for several years. In summer, before the Children's Day, and in winter, before the New Year, the plant's volunteers collect clothes, toys and gifts for the Otchy Dim children. They stage children's performances, play different games and conduct merry contests. The Youth Union of Corum Kryvy Rih Mining Equipment Plant helps Suziria children's training and rehabilitation centre. Volunteers play football with kids, arrange entertainment events and interesting meetings as well as conduct master classes. During one of such activities, children learnt to sew coffee, cinnamon and vanilla scented sachets. At the end, every child took his/her self-made souvenir. The Youth Union of Corum Druzhkivka Heavy Engineering Plant has been helping orphanage No.10 for many years: they buy training materials, clothes and gifts as well as conduct master classes, including arts classes.

Metinvest volunteers join efforts with civil and municipal organizations in the Good Deeds campaign to improve and repair social facilities as well as help the elderly around the house.

In 2015, volunteers of Azovstal Steel Plant rebuilt a children's playground in Ordzhonikidzevsky District, Mariupol, and renovated a relaxation room in a specialized school for children with disabilities.

¹⁰ 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 congenial heart diseases.

Volunteers from Northern Iron Ore Mining and Processing Plant in Kryvy Rih help pensioners around the house. They make full-scale cleaning, paint windows, winterize balconies, do construction and repair works, buy food, cook meals and even help with gardening (digging up homestead gardens, removing garbage, pruning, repairing and painting fences).

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

LABOUR

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

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour;

Principle 6: Eliminate discrimination in respect of employment and occupation.

Policy

SCM Group is the biggest employer in Ukraine. The Group employs about 300,000 people in industrial facilities and offices, both workers and people with creative skills and outlooks. We are confident that a strong team of professionals is essential to 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 that our staff have 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 staff 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 on the board level.

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

Metinvest and DTEK 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

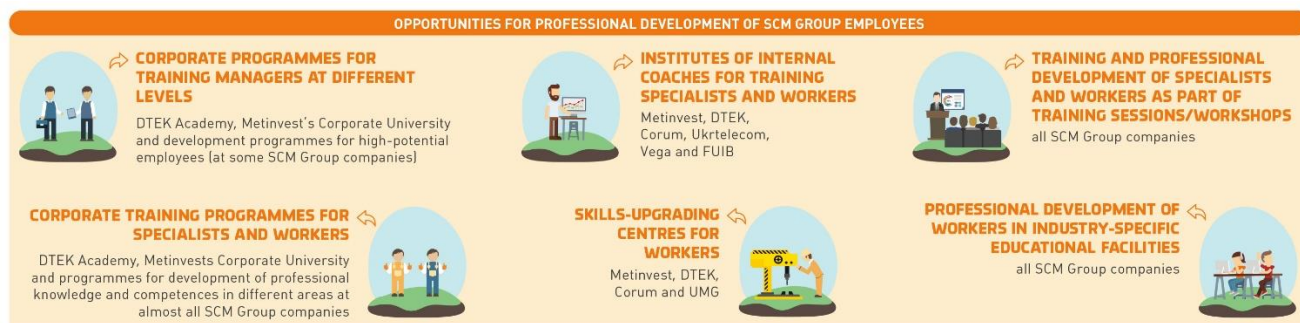
Being the biggest employer in Ukraine, SCM Group respects the rights of its employees for creation of professional unions and other associations representing their interests.

We work openly and honestly with trade unions and other organizations 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 2015, 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 2015, SCM Group invested about UAH 1.7. billion in health and safety.

All SCM Group companies continue to focus on employee training and development.



In 2015, SCM Group invested over UAH 85 million in staff development.

SCM Group is involved in the reform of the education system of Ukraine and takes part in the development of modern occupational standards. The documents clearly outline the skills and knowledge a graduate needs to be easily hired, have a good salary and career opportunities. We helped develop 44 occupational standards and 27 educational standards.

We believe that partnership between business and education is important for training skilled specialists. To that end, SCM Group industrial and on-industrial businesses cooperate with industry-specific institutions, help develop special training programmes for universities and colleges, provide students with internship options at their enterprises and offer the most talented students jobs and development opportunities.



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

ENVIRONMENTAL PRINCIPLES

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 make them modern, effective and eco-friendly.

SCM Group includes very different businesses: mining and metals, energy, machine building, transportation, banking, telecommunications, media and many others¹¹. They all share the following principles:

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

¹¹ For more about our business operations please visit <http://www.scmholding.com/en/business/sectors/>
www.scmholding.com

- 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.

SCM Group and all our businesses respect national legal environmental standards.

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

Industrial holdings of SCM Group (Metinvest¹² and DTEK¹³) 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 biggest industrial holdings, firstly DTEK and Metinvest, make significant investments to modernize equipment and technology. Modernization helps improve our environmental performance, particularly by reducing air emissions, water consumption, wastewater discharges and energy use. Some solutions help reduce waste generation and reuse it in a safer way. Such projects are designed to have a long-term impact.

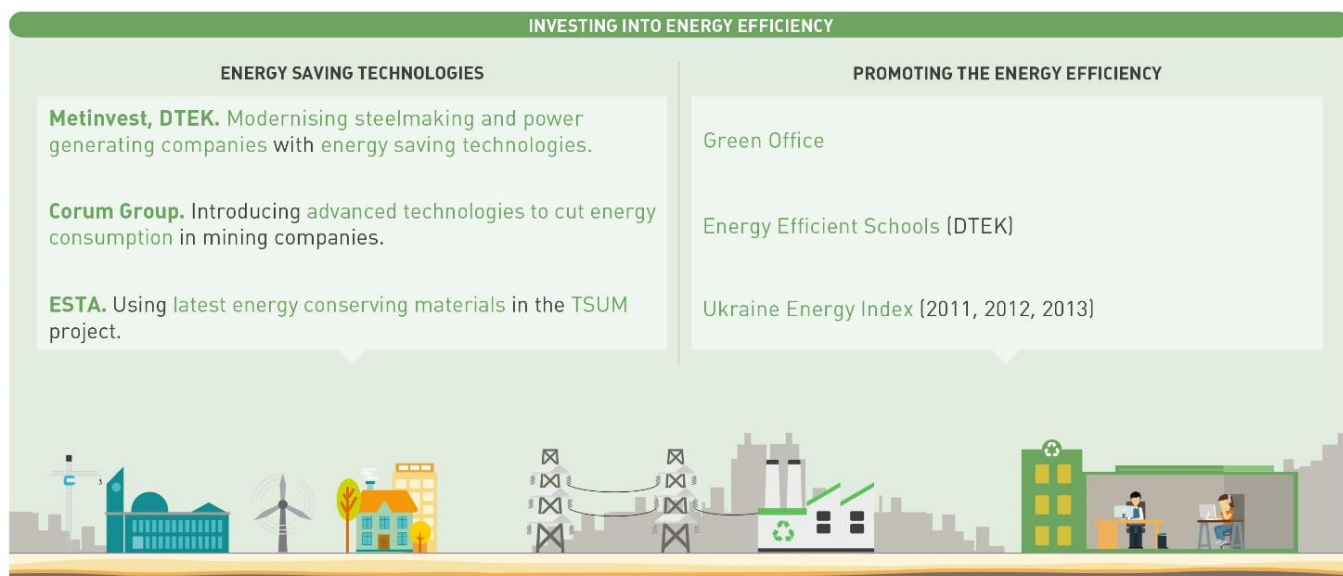
In 2015, environmental investments of SCM Group totalled UAH 6.3 billion.

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

¹² For more about Metinvest Policy on Health, Safety and Environment please visit <http://www.metinvestholding.com/en/csr/hse>

¹³ For more about DTEK Policy please visit <http://dtek.com/ru/corporate-social-responsibility/environment>
www.scmholding.com

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 holding of SCM Group, is taking active steps to develop wind power business¹⁴. The wind farm in Botieve is DTEK's first green energy project. It is the most powerful 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.



¹⁴ For more about DTEK's wind power actions please see DTEK reports on dtek.com
www.scmholding.com

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 develop a new environmental culture by taking part in various environmental initiatives.

STRIVING TO MEET EU ENVIRONMENTAL STANDARDS

As part of its path to the European integration, Ukraine has signed a number of treaties which oblige the country, among other things, to harmonise its legislation with EU norms. This means that companies should work to bring their environmental performance in line with European standards. Experts believe that Ukraine needs time to reform its current legislation and develop effective mechanisms to implement European environmental directives.

DTEK and Metinvest are involved in the development and implementation of measures outlined in programmes seeking to bring EU standards into Ukraine's environmental laws.

DTEK is a member of a task force that coordinates actions to reduce environmental pollution and implement Directive 2001/80/EC and Directive 2010/75/EC⁸ as part of Ukraine's commitment to comply with the Energy Community Treaty⁹ (including implementation of the National Emission Reduction Plan to reduce major pollutants from large combustion plants) and the EU-Ukraine Association Agreement. On 16 October 2015, the Ministerial Council of the Energy Community adopted decision No. D/2015/07/MC-EnC that agreed special terms and conditions for implementation by Ukraine of Directive 2001/80/EC and Directive 2010/75/EC. In December 2015, the country's National Emission Reduction Plan was submitted to the Energy Community Secretariat.

Supported by the Ukrmetallurgprom industrial association, Metinvest is also working on contributions to the National Emission Reduction Plan.¹⁰ This project will develop a document including the ecological, economic and technological aspects of moving mining and metals companies to the new standards of Directive 2010/75/EC.

⁸ European Union's Directive 2001/80/EC and Directive 2010/75/EC on the limitation of emissions of certain pollutants into the air from large combustion plants.

⁹ The Energy Community is an international organisation responsible for the energy policies, including those relating to EU integration. Having signed the Treaty establishing the Energy Community, Ukraine undertakes to develop energy efficiency legislation in line with European Union's standards.

¹⁰ A round table focused on environmental aspects of implementation of the EU-Ukraine Association Agreement announced an active stage of the National Emission Reduction Plan project. The event took place in Kyiv in July 2016.
www.scmholding.com

FIGHTING CLIMATE CHANGE

Having joined the Kyoto Protocol projects, DTEK and Metinvest are contributing to the fight against climate change. As part of Joint Implementation projects, our energy and metals arms rolled out energy-saving initiatives and raised investments for production modernisation.

During the first commitment period of the Kyoto Protocol (ended in 2012), Metinvest and DTEK rolled out Joint Implementation projects¹¹, thus reducing their GHG emissions by more than 55 million tonnes in CO₂ equivalent.

The first commitment period of the Kyoto Protocol ended in 2012. In 2015, the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change held in Paris signed a new international climate change agreement and adopted new mechanisms of GHG emission reduction. Being a party to the agreement, Ukraine presented its national programme of addressing climate change. One of the tools reducing greenhouse gas emissions is a national system of ERU trading¹². Ukraine is expected to introduce the system by 1 January 2017 according to Directive 2003/87/EC.

In 2015, DTEK was an active member of task groups set up by relevant ministries and agencies regulating climate change efforts and introducing environmental policy tools for further emission reduction. Moreover, the company's specialists shared their expertise during discussions of projects developed by the Ministry of Natural Resources to fight climate change and introduce a national emissions trading system.

In October 2015, DTEK Academy hosted a workshop for environmental specialists from all Ukrainian thermal power generation plants. Participants discussed introduction of the domestic emissions trading system according to Directive 2003/87/EC and methodology of emissions monitoring, verification and reporting. Speakers of the event included experts from European projects implemented in Ukraine.

Jointly with other steelmaking companies, Metinvest plans to roll out the project "Analysing a GHG emission quota for the mining and metals sector" in 2016. The initiative analyses the globe's leading emission allowance trading systems, identifies current greenhouse gas emissions of mining and metals companies and justifies the GHG emission quota in the ERU trading system.

DTEK is a member of a task force that coordinates actions to reduce environmental pollution and implement Directive 2001/80/EC and Directive 2010/75/EC as part of Ukraine's commitment to comply with the Energy Community Treaty (including implementation of the National Emission Reduction Plan to cut major pollutants from large combustion plants). On 16 October 2015, the Ministerial Council of the Energy Community adopted decision No. D/2015/07/MC-EnC to agree special terms and conditions for implementation by Ukraine of Directive 2001/80/EC and Directive

¹¹ For more about DTEK's and Metinvest's Joint Implementation projects, please refer to SCM Group sustainability reports for 2008-2012, Metinvest's social reports for 2008-2012 and DTEK's sustainability reports for 2008-2012.

¹² Introduction of the emissions trading system is required by Directive 2003/87/EC of the European Parliament and the Council of Europe dd. 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading. Under the document, Ukraine should fully [implement measures](#) outlined in the Directive by 1 January 2017.

2010/75/EC. In December 2015, the country's National Emission Reduction Plan was submitted to the Energy Community Secretariat.

For more about SCM Group projects in environment and energy efficiency actions please read our [Sustainability 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.

SCM Group's document How We Work outlines the underlying business principles of the 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 [Corporate governance section](#) on our website www.scmholding.com.

In 2015, 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 2015, SCM Group approved group-wide Contractor Integrity Risk Management Policy that requires zero tolerance for corruption risks.

Most of our businesses have reviewed their corporate codes of ethics to harmonize them with How We Work:

- DTEK's¹⁵ Code of Ethics and Business Conduct includes provisions addressing the fight against corruption.
- Zero tolerance for bribery and corruption is one of the major principles in business ethics of Metinvest¹⁶.
- The Code of Ethics at FUIB also establishes the principle of “zero tolerance for bribery and corruption”.
- Codes of ethics developed by Lemtrans, Corum Group, Vega and Parallel also contain 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.

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 Compliance Club ACC, 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 requirements.
- In 2014, DTEK was the first company to have joined the international partnership within UN Business for Peace, a platform for promoting peaceful initiatives of business operating in high-risk and conflict-affected areas.
- 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.”

¹⁵ For more about DTEK Ethics and Business Conduct Code please visit [Ethics and Compliance section on dtek.com](https://dtek.com/ethics-and-compliance)

¹⁶ For more about Metinvest Code of Ethics please visit [Corporate governance section on www.metinvestholding.com](https://www.metinvestholding.com/corporate-governance)
www.scmholding.com

SCM Group companies (SCM, DTEK, Metinvest and FUIB) have a compliance position in place. This is a unit which monitors 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. In 2015, DTEK Compliance Management Department completed an annual declaration of conflicts of interest where managers and employees filled out more than 1,228 declarations.

Metinvest introduced the positions of a compliance officer and compliance coordinators. These are employees of legal services of Metinvest Group business who are responsible for full and timely implementation of Metinvest Compliance Programme, compliance culture promotion and performance of all compliance tasks at its companies. By cementing ethical principles, they establish relations with the partners based on open rules.

FUIB's Compliance Control Division established at Legal Department monitors observance of the principles of integrity in customer services, banking secrecy, database protection and conformity of offered products with customers' order. In addition, it monitors the accuracy, completeness, fairness and timeliness of the information provided by the bank to the authorities, partners, customers and public in line with the regulatory legal acts.

Being one of the bank leaders in terms of information openness, FUIB is continuously improving its business transparency. The bank discloses information fully, accurately and on time, including financial and economic performance. Thus, the shareholders and investors can make well-grounded decisions, and customers have all the information about their financial partner.

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.

In 2015, SCM Group approved group-wide Contractor Integrity Risk Management Policy that requires zero tolerance for corruption risks. This policy establishes the Group's common standards to manage the following risks: regulatory risk (including the risk of cooperation with entities potentially involved in corrupt practices), fraud, and negative reputation risks.

Many of our businesses (DTEK, Metinvest, FUIB, Corum Group, PORTINVEST, and 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.

In 2015, Metinvest adopted Compliance Programme with the Action Plan for each year which includes anti-fraud steps inside the company. In addition, the programme promotes the principles of the Code of Ethics, including regular (every 3 years) training sessions for all employees irrespective

of the position. Each training session includes a topic “Renouncing bribery and fighting corruption”.

In 2014, FUIB introduced the Antitrust Compliance Policy to prevent violations of competition law by the corresponding departments of the bank, and the Procedure for monitoring the use of private information to protect confidential data. In 2015, the bank developed Regulations for antitrust procedures and coordination across SCM Group.

Corum Group approved the Anti-corruption programme that outlines legal and organizational anti-corruption measures.

To observe anti-corruption laws and regulations, DTEK has approved the Anti-corruption Programme and appointed anti-corruption officers. DTEK has developed a transparent and accessible automatic system to record and approve business gifts and entertainment, which is a key element of the best anti-corruption practices. DTEK also regularly assesses contractors’ integrity with respect to risks of corruption and compliance with the international sanctions.

Reporting Element 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 has a department for compliance management in place 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. Metinvest has a position of Compliance officer in place who is subordinate to the Legal Director and regularly reports to the Audit Committee and the Supervisory Board. He is also Deputy Chairman of the committee for corporate governance, control and ethics that ensures a deep involvement of senior management. In turn, the executives at DTEK and Metinvest are obliged to declare regularly the absence of conflicts of interests and compliance with the laws.

FUIB has the Business Ethics Committee in place, which includes senior managers of the bank. The Committee Chairman is Deputy Chairman of the Board who is responsible for working with staff. The Committee seeks to ensure the implementation of SCM Group's common standards and principles of ethical behaviour and business conduct.

The Committee:

- responds to violation reports and monitors the compliance with requirements of the Code;
- makes recommendations to improve business ethics at FUIB;
- organizes monitoring of the impact of norms of business ethics on corporate culture at FUIB.

Reporting Element 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 (every three years) teaches employees on the ethics code. The first training began in November 2014 for compliance coordinators of Metinvest to ensure they can further train employees. The programme includes a topic "Renouncing bribery and fighting corruption". DTEK and Metinvest include the issues of ethics and fraud risks in the annual survey for staff engagement whose results are analyzed by senior management of the companies.

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

The Group uses 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 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 a drop box installed in the bank's headquarters in Kyiv 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 and Metinvest include the issues of ethics and fraud risks in the annual survey for staff engagement.
- 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 at their companies.

SCM Group companies have procurement policies (procedures) in place to ensure the transparency of procurement processes (e-trading platforms, common electronic database of pre-qualified suppliers of commodities and services, etc).

Reporting Element 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 analyzing the statistics of incoming reports on SCM Trust Line.

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