

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS 2015

STATEMENT OF SUPPORT FROM METINVEST'S CHIEF EXECUTIVE OFFICER

Dear readers,

Metinvest Group is a vertically integrated group of steel and mining companies that manages every link of the value chain, from mining and processing iron ore and coal to making and selling semi-finished and finished steel products. It has steel and mining production facilities in Ukraine, EU and the US, as well as a sales network covering all key global markets.

By a number of indicators, Metinvest is the largest private company of Ukraine, and it occupies the 13th place among the largest companies in Central and Eastern Europe - Deloitte TOP-500 by results of 2015.

Metinvest is the largest in Ukraine and one of the largest CIS producers of iron ore raw materials and steel. Metinvest is in the top 50 largest steel companies in the world according to the World Steel Association.

Reported 2015 was a difficult year for us, both in Ukraine and globally. The Ukrainian economy suffered a sharp contraction, exacerbated by the crisis in the east of the country. As such, I consider it a major achievement that we were able to restore and maintain production at all of our steel plants after the disruptions during 2014 and the first quarter of 2015. We should never forget the bravery and teamwork demonstrated by our employees and managers on the ground in Eastern Ukraine.

In spite of the challenges, as Ukraine's largest company, corporate citizen and lead employer in many towns and cities, Metinvest feels a deep responsibility to lend a hand to those most affected. We are committed to restoring infrastructure damaged by recent events. This is both the right thing to do and a clear statement that we will not allow the conflict to disrupt the years of progress we have made in investing in these communities to improve the quality of life there.

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.

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 recognizes that the wellbeing of its people, the prosperity of local communities in which it operates and the condition of the world's environment are vital to the Group's long-term sustainability, and it contributes actively in these areas by providing financing and support for dedicated projects.

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 2015
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 2015, there were no human rights infringements reported related to our activities or business relationships.</p> <p>Employees</p> <p>Metinvest is one of the largest employers in Ukraine and have more than 90,000 staff worldwide (without joint ventures). Many have been working at our production facilities for generations. As part of our culture of dedication in the workplace, we seek to reciprocate the commitment that employees show to the business.</p> <p>Over the years, the Group has developed a dedicated, pragmatic HR system, one focused on dealing with both the present and future requirements of employees and the organisation. As our business evolves constantly, so does our HR function, and we are committed to improving it continuously in line with international best practice.</p> <p>Given recent events in Ukraine, Metinvest's overriding HR priority has been to support employees and their families in the eastern regions of the country, while continuing to help its people reach their full potential. In this light, and in line with its focused approach and the liquidity constraints, the HR department identified and pursued five key objectives in 2015:</p> <ul style="list-style-type: none"> – ensure social stability, – reduce fixed personnel costs, – develop the professional training system, – adapt the leadership model, – build a career management 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.</p> <p>Metinvest also sought to take into account the reality of the rapidly deteriorating economic</p>

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		<p>conditions for its employees in Ukraine. In 2015, we conducted a pay review, raising salaries for many employees based on the results of annual appraisals.</p> <p><u>Social stability</u></p> <p>As the conflict in the Donetsk and Luhansk regions continued in 2015, there was a surge in personnel outflow, particularly from January to April. The HR department responded proactively, devising measures to stem the flow. As part of our commitment to supporting communities affected by the turbulence, we assigned employees at underutilised facilities to help with repairing and rebuilding damaged infrastructure in towns, cities and enterprises and to take part in the Humanitarian Centre's volunteer programmes. We also avoided large-scale headcount optimisation programmes.</p> <p>These steps brought rapid, tangible and positive results. Net personnel outflow stabilised in May and we significantly reduced the annual outflow from facilities in the conflict zone.</p> <p><u>Employee development</u></p> <p>To identify and develop potential managers more effectively, Metinvest began building an executive career management system in 2015.</p> <p>Many of the foundations for this – annual appraisals, a talent pool, development and training, open competitions and career path development – were already in place, so the Group set about integrating them, making significant progress. We began to devise career advancement rules, approving procedures for various functions.</p> <p>We established pilot assessment centres at Ilyich Steel and Northern GOK to identify talented managers. We also introduced a system of open competition for candidates for management positions, and 50 people took part for 12 positions.</p> <p>We also built on the success of our management training. From late 2014 to the end of 2015, another 60 people from the Talent Pool completed our Leadership Academy, organized in conjunction with the Centre for Creative Leadership and E&Y, undergoing three modules and defending 10 projects.</p> <p>We continued to run the Strategic Leadership</p>

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		<p>Development programme in collaboration with INSEAD, and 35 top managers from the Talent Pool completed three modules and defended eight projects over the same period. The latter were based on Metinvest's priority objectives and led by members of the Executive Committee personally.</p> <p>In 2015, 9,256 managers underwent at least one course and spent an average of 3.4 days each receiving instruction. Programmes completed by managers included 'Management DNA' (8,835 people), 'Vector of Development' (6,470), corporate university courses (4,041) and those run by external providers (637).</p> <p>For our workers, we enhanced existing training programmes, bringing them in line with corporate standards, and launched 19 new ones, which around 500 people underwent in 2015. At Azovstal, we introduced a system to audit professional qualifications, reviewing 1,180 of the enterprise's workers to identify knowledge gaps. We also implemented a system to train instructors and 29 people completed a pilot programme to give them basic teaching skills.</p> <p>For our engineering and technical personnel, we organised six 'professional schools' to give them practical knowledge using problem-based learning and 129 people at four enterprises received training in 2015. At Azovstal, as part of the new system to audit professional qualifications, 367 engineering and technical specialists were tested. We ran technical courses to teach specialist employees how to apply theoretical knowledge in practical situations more effectively.</p> <p>Metinvest's overall professional training statistics reflect the Group's commitment in this area. In 2015, 36,354 employees completed one or more training courses, including health and safety, or 41% of the workforce.</p> <p><u>Health and safety</u></p> <p>Looking after the health and safety of employees in all aspects of their work is Metinvest's number one strategic priority and a core value. Since our creation, we have reduced fatalities and injuries at our facilities significantly by making sustained, 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>

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		<p>We continue to make steady investments each year in direct health and safety measures, including equipment and training, while also building safety into all of our technological projects and business plans.</p> <p>Metinvest considers it vital to create a culture based on the notion of "safety first" and accountability when rules are violated. We have a dedicated Health, Safety and Environmental (HSE) Committee that oversees our safety systems and ensures compliance with local regulations in our areas of operation and international best practices. It reports directly to the Supervisory Board.</p> <p>In 2015, Metinvest allocated US\$61 million to initiatives in the area, including US\$43 million on occupational safety, US\$7 million on industrial safety and US\$4 million on building, facility and transport safety.</p> <p>The Group redoubled its commitment to health and safety training in 2015. More than 13,000 employees underwent HSE training based on corporate standards in the area.</p> <p>Metinvest continues to implement its risk assessment programme covering all production processes and investment projects using HAZID, ENVID and HAZOP procedures and extend LOTOTO and permit-to-work methods across the Group³. In 2015, we conducted 115 HAZID risk assessments and trained 51 HAZID "chairpeople": employees who can then lead assessments.</p> <p>The Group also evaluated the health and safety management systems of enterprises that have become part of it since 2011. This highlighted areas for development and led to recommendations for concrete steps. We also conducted a comparative analysis of the systems with a view to unifying standards across facilities.</p> <p>The Metallurgical division continued to sharpen its focus on gas safety and control. In 2015, we bought 164 portable gas analysers for evaluating conditions during highly hazardous work. We also assessed where stationary gas analysers should be installed.</p> <p>In addition, in line with the first aid standards introduced across the Group, Metinvest continued to upgrade the equipment in existing ambulances. Overall, since the implementation of this standard,</p>

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		<p>we have bought 10 new ambulances for enterprises.</p> <p>The Group remains committed to adopting international best practices in health and safety and obtaining OHSAS 18001 (occupational health and safety) certification for its assets. Azovstal, Yenakiieve Steel, Khartsyzk Pipe, Northern GOK, Ingulets GOK, Krasnodon Coal, Komsomolske Flux and Inkor Chemicals are OHSAS 18001-certified.</p> <p>In 2015, an OHSAS 18000 audit was conducted at Metinvest Holding, which was found to be in full compliance with international standards of integrated occupational safety.</p> <p>Relations with local communities</p> <p>Metinvest is firmly committed to investing in initiatives that help to support the communities in which it operates, as it recognises the inherent role that they play in the long-term success of its business.</p> <p>In many cases, our plants are the key employer and economic anchor for these communities. In 2015, we have reacted to economic and political uncertainty promptly and effectively, particularly the conflict in Eastern Ukraine, through increased financial support as a company and personal commitment by thousands of our employees.</p> <p>Metinvest spent around US\$24 million on social initiatives in 2015.</p> <p>This included US\$16 million for humanitarian aid to support those affected by the events in the Donetsk and Luhansk regions and US\$1 million to help restore infrastructure in the conflict zone.</p> <p><u>Infrastructure rehabilitation</u></p> <p>Numerous buildings, facilities and transport links in Mariupol have been damaged or destroyed during the conflict, so the Group has spearheaded a concerted effort to resolve this rapidly. Notably, in the Vostochny district of the city, which was hit by heavy shelling in early 2015, employees from our enterprises in Mariupol, Ilyich Steel and Azovstal spent almost five months helping to restore daily life for residents.</p> <p>After an explosion destroyed a key railway bridge over the Kalchyk River in late 2014, we moved quickly to establish a single-track backup, keeping the rail link between our plants and the port in</p>

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		<p>Mariupol functioning. Working with national rail operator Ukrzaliznytsia, we spent around US\$1 million on repairing the main bridge and recommissioned it in November 2015.</p> <p>Avdiivka was also hit hard multiple times during 2015. Through Avdiivka Coke, the bedrock of the city, Metinvest and the local administration undertook tremendous efforts to restore infrastructure and social facilities. To coordinate the work, we established a social partnership programme, symbolically naming it 'We Will Revive Avdiivka Together'. In 2015, we restored 15 social facilities, 69 apartment blocks and 135 private houses in the city. We also launched an initiative called 'New Resident of Avdiivka', which helps families with newborn babies.</p> <p><u>Social partnership program</u></p> <p>Metinvest continues to implement traditional social partnership programmes. In close cooperation with municipal governments, we identify key projects for each community.</p> <p>In Kryvyi Rih, we repaired city roads and lights, purchased medical equipment and reconstructed the children's ward of the city hospital. In Novhorodske, we are renovating the sports complex and implementing the project 'Water is the Source of Life'.</p> <p>In the main cities and towns where it is present, Metinvest also held the 'We Improve the City' contest, in which residents submit ideas for social initiatives. Overall, 359 proposals were submitted and we chose 64 winners, who each received grants.</p> <p><u>Metinvest Green Center</u></p> <p>In 2015, we continued our 'Green Centre' campaign to landscape urban spaces and remove waste to improve the urban environment. The programme, which included around 600 events during the year, fulfilled more than 400 requests from local communities, cleared around 1,300 tonnes of waste and helped to plant over 300 trees.</p>
Labor		
Principle 3: Businesses should uphold the freedom of association and the	The company provides equal opportunities to employees based on their professional qualities	Metinvest has never used compulsory or child labor. In 2015, we received no claims or complaints related to the aforementioned issues. We built a single system for working on anti-

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<p>effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labor;</p> <p>Principle 5: the effective abolition of child labor; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>irrespective of their age, sex, nationality, religious beliefs and political views.</p>	<p>monopoly compliance and raised awareness about the area among employees.</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> <p>On July 1, 2015 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 2014. At the meeting, it was decided that this agreement was implemented satisfactorily. In addition, it was decided to focus on the cooperation aimed at sustaining business continuity in the industrial sector and retaining human resources in the region.</p> <p>We also continue to assist other employee organizations such as youth associations and councils of veterans. Youth and veteran 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 are aware that our activities have an impact on the environment and this affects our local communities and the world as a whole. We adhere to local environmental regulations wherever we are present, and our strategy envisages complying with the highest industry standards and implementing best global practices.</p> <p>As of the end of 2015, 10 of the Group's plants had ISO 14001 environmental management certification. As part of our long-term strategy, we intend to make the remaining assets compliant in the next few years. In the year, an ISO 14000 audit was conducted at Metinvest Holding, which was found to be in full compliance with international environmental management standards.</p> <p>In 2015, Metinvest continued the drive to reduce the environmental impact of the business, spending more than US\$194 million on initiatives, including capital and operational improvements.</p> <p>Among the key projects in 2015 were:</p> <ul style="list-style-type: none"> • One major ongoing undertaking is the upgrade

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		<p>of the sinter plant at Ilyich Steel, which is the largest such environmental project in Ukraine's modern history. As part of this, in 2015, we installed new highly efficient cyclones on three sintering machines of the plant. The year was also the first full one after we stopped open-hearth production at Ilyich Steel, decommissioning six furnaces in 2014, which decreased the plant's emissions of nitrogen compounds by around 68% and dust emissions by 12%.</p> <ul style="list-style-type: none"> • In 2015, we completed the modernization of blast furnace no. 4 at Azovstal, launching it after the reporting period. This included installing a state-of-the-art gas cleaning system, which brings emissions from the furnace into line with EU standards. We also developed a design for switching from a wet to a dry type of blast furnace cleaning system at Azovstal. • At our Zaporizhstal joint venture, we replaced the filters on two sintering machines in the sinter plant. The upgrade of blast furnace no. 4 completed at the end of 2014 included building a dust removal plant for the charging system and casthouse. Following the work, the blast furnace now operates in accordance with best European environmental practices. We continue to work with our joint-venture partner to reduce Zaporizhstal's environmental impact. • At Avdiivka Coke, we installed a new aspiration unit in the crushing section of coke shop no. 1 in 2015, launching it just after the year-end. It is designed to collect up to 99% of dust from the air, and the technology is the first of its kind in Ukraine. • We replaced three of the five filters on the unit in the Lurgi 552-B pelletising machine at Northern GOK.
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. Metinvest</p>

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		<p>created a set of solid institutions that ensure rigorous oversight, maximum transparency and continuous risk management in every area of the business.</p> <p>In 2014, we established a compliance function within the Legal department and developed a unified system for dealing with legal cases.</p> <p>In 2015, we continued to develop our corporate governance institutions, including raising awareness if our employees of the Code of Ethics. 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 2015, we implemented SAP at Ilyich Steel and Metinvest-SMC and moved to a single SAP Advanced Planner and Optimiser platform for the supply chain.</p> <p>We proceeded with implementing the principles of the "Supplier Selection Procedure" to ensure transparency and fairness of the process of evaluating and selecting suppliers.</p> <p>Metinvest supports the right of every employee and other interested parties to express concerns about their work and to report misconduct. In addition, a confidential hotline continued to work and allow employees to report compliance and safety concerns.</p>

For more information, please see Metinvest's Annual Report for 2015 and our website:

<https://fr.zone-secure.net/5521/204537/publication/contents/pdfweb.pdf>

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

More detailed information on these activities will be presented in Metinvest's Social Report for 2015-2016 in July 2017.