

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS 2017-2018

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 vast iron ore reserves, coal mines and steelmaking assets in Ukraine, Europe and the US, as well as a dedicated sales network covering all key global markets.

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.

In 2017-2018 Metinvest made tremendous progress in securing its long-term agenda of growth and sustainability. The Group completed a comprehensive review of its Technological Strategy 2030 and managed to deliver its best performance in the last four years, confirming that it has created the right roadmap for a sustainable future. We continued to focus on reinforcing operational and labour safety, mitigating our environmental impact and building vibrant local communities.

In 2018, Metinvest forged ahead with large-scale asset upgrades and major environmental programs to reduce its environmental footprint. We also continued to work in fruitful cooperation with partners to build sustainable projects that benefit local communities.

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.

- **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 2017-2018
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 2017-2018, 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 66 000 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>HR priorities 2017-2018</p> <p>The geopolitical situation in Eastern Ukraine was an HR priority from 2014-17. Last year, however, an absence of major incidents involving Metinvest facilities meant that the Group was not required to spend considerable resources relocating employees and other steps designed to meet the Group's primary goal of maintaining the safety of all employees. In 2018, Metinvest continued to retain its core workforce and talented management in the face of major changes in the local labour market caused by the opening of markets. The Group achieved this by implementing a differentiated remuneration policy, improving working conditions, developing career and growth opportunities, and introducing social programmes to retain existing and attract new talent.</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 increased wages and salaries at its production assets twice in 2018 following the</p>

semi-annual performance appraisal, after having already done so twice in 2017. In 2018, Metinvest enhanced the social benefits package that it offers its employees. The Group now provides employees individual benefits packages within which they can choose the various components that matter most to them, which might differ depending on age or other factors. This is in line with global trends in non-monetary remuneration. Metinvest has also improved the medical insurance package that it offers its staff, expanding the list of services they can receive at private health facilities and providing access to a greater choice of medicines.

Continuous employee development

Continuous learning is a core aspect of Metinvest's HR efforts. Metinvest has a well-developed corporate education and training system, which is constantly innovating. For the categories of workers where attrition was the highest, the Group is starting to use training machines and simulations, which avoids exposing new hires to equipment before they are ready to operate it. This not only reduces costs but also makes the workplace safer until they master the equipment. For mid-level managers and floor supervisors, Metinvest is providing training sessions and teaching the technical aspects of operations, emphasising the production component of the process. This work allows them to better understand their crucial roles in the production process.

Meanwhile, training for members of top management focuses on innovation and change management. This includes providing challenging, tailored coursework with top international experts on these topics. This programme of continuing learning provides senior managers with the opportunity to explore and find novel solutions for complex business goals.

Health and safety

For Metinvest health and safety of its employees, contractors and all the parties involved to company operations is number one priority

To prevent injuries and occupational diseases Metinvest is implementing international best practices, investing in modern safety equipment and continuously developing its health and safety management system."

HSE policies, their implementation and performance are overseen at the highest level of Metinvest's corporate governance. The Supervisory Board has a dedicated Health, Safety and Environmental Committee that oversees systems in this area and ensures compliance with local regulations and, where possible, global standards.

Metinvest has introduced a safety-first culture covering every type of activity at its facilities, as part of its 'one workforce' approach encompassing employees and contractors. At the end of 2018, 10 of its key plants were certified as compliant with the OHSAS 18001 international occupational health and safety standards. In September 2018, Metinvest Holding became the first business in Ukraine to certify its safety systems as compliant with the ISO 45001:2018 international occupational health and safety standard, which replaces the previous OHSAS 18001 certification. In addition, the Group is working on a new five-year HSE plan to improve the practices already in place, following the achievements of the previous program approved in 2014, which has been fully implemented.

Metinvest has also set up a mandatory risk assessment system covering all aspects of the business, from production processes to investment projects. Across the Group, it has introduced globally recognised standards, including hazard identification (HAZID), environmental impact identifier (ENVID) and hazard and operability studies (HAZOP), job safety analyses (JSA) and work safety analysis procedures, LOTO procedure for hazardous energy isolation (Lock-out/Tag-out) and permit-to-work systems.

In 2018, Metinvest increased its investments in enhancing operational safety, which reached around US\$95 million, up 17% year-on-year. The main item remained occupational health, accounting for 75% of the amount. More than 6,000 employees received health and safety training according to corporate standards, while over 110,000 safety audits were conducted at Metinvest enterprises to identify areas bearing the greatest risk to its people.

Social partnership program

In addition to its crisis response efforts, in 2017-2018, Metinvest continued its traditional social partnership programmes increasing cooperation with city development funds that

		<p>act as non-government urban development agencies.</p> <p>In Avdiivka, we established a development centre for children and youth; repaired the educational, sanitary, gym and recreational facilities in six local schools and pre-schools and helped to improve the city's medical institutions.</p> <p>The key projects in Mariupol included helping with the relocation of higher educational institutions from Donetsk to Mariupol, renovating Mariupol's city transport infrastructure, continuing the 'Cosy Side Yard' programme to support newly established condominiums and renovating the Administrative Services Centre.</p> <p>Metinvest also implemented numerous other community programmes in Mariupol, including replacing the heating, sewage and water supply systems, renovating healthcare facilities and purchasing equipment and furniture for development centres and 46 city schools and kindergartens.</p> <p>In Kryvyi Rih, Metinvest allocated funds to repair and upgrade local hospitals, including family outpatient clinic and paramedic and obstetric stations, and provided emergency aid for city residents after a windstorm. It also built sports facilities, improved urban landscaping and repaired local buildings and roads.</p> <p>In Novhorodske, project aimed at providing the town with independent energy sources and an improved municipal heating system was completed, as a result of which some 200 apartments and six social facilities were connected to individual heating systems.</p> <p>In addition, the Group continued to develop other forms of cooperation with communities to engage residents in identifying the most useful social initiatives. Examples of longstanding community programmes that Metinvest devised are the 'We Improve the City' contest in Mariupol and 'We are the City' in Zaporizhia, which are held each year. In 2018, Metinvest sponsored and helped to implement 11 projects received in Mariupol and 73 in Zaporizhia. In Kryvyi Rih, the new 'FestMetinvest' competition was also developed and launched, large-scale sporting and educational events were held; and another new programme for the 'ClassMetinvest' schools was implemented, supporting 29 projects in the city and the Shyrokyivsky district of Dnipropetrovsk Region in 2018.</p>
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		<p>Metinvest Green Center</p> <p>Another important aspect of Metinvest’s community development drive is ‘Green Centre’.</p> <p>In 2018, Metinvest held around 1,000 environmental events as part of the ‘Green Centre’ initiative in Mariupol and Kryvyi Rih, and expanded this campaign to Zaporizhia. Alongside this, the Group continued to roll out an educational initiative called ‘Green Plant’ in Mariupol, which aims to raise environmental awareness through its centres using bespoke study material. Elsewhere, Metinvest piloted a project to organise the collection of separated waste at schools in the city.</p>
<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all 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>The company provides equal opportunities to employees based on their professional qualities irrespective of their age, sex, nationality, religious beliefs and political views.</p>	<p>Metinvest has never used compulsory or child labor. In 2017-2018, we received no claims or complaints related to the aforementioned issues.</p> <p>We have a single system for working on anti-monopoly compliance and constantly raise awareness about the area among employees. 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. 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. 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>In order to address an environmental issue, the Group is pursuing a comprehensive asset modernisation programme with two interrelated aims: to mitigate the environmental impact of its operations and to ensure compliance with the most exacting requirements in the area where possible. The programme involves upgrading all gas-cleaning, dust-trapping and wastewater processing equipment at major production units, including beneficiation and pelletising facilities, sinter plants, blast furnaces, basic oxygen furnaces and re-rolling mills. Metinvest is aiming to conduct most of the work in the next five to six years by harnessing the latest environmental expertise and technology in Europe and worldwide. Alongside this, in the communities where it operates in Ukraine, Europe and the US, the Group has committed to pursuing environmental improvement initiatives over the long term.</p>

		<p>In 2018, Metinvest allocated some US\$263 million for environmental operating and capital expenditure, up 17% year-on-year and the highest level in four years. Importantly, environmental CAPEX reached US\$92 million, the most since 2011.</p> <p>Several environmental projects were ongoing in 2018. By far the most significant of them is the reconstruction of the sinter plant at Ilyich Steel, for which Metinvest has earmarked spending of around US\$150 million. The work, which represents the largest environmental undertaking in the history of independent Ukraine, began in 2012 and is due to be completed in 2020. One particular milestone in the initiative came in 2018, when the Group launched the first phase of new gas-cleaning equipment in April.</p> <p>A second major environmental project is the replacement of the gas-cleaning units on the Lurgi 552-B pelletising machine at Northern GOK to comply with air pollution limits and improve workplace conditions. Having installed four new filters over 2014-17, Metinvest finished adding the fifth and final one in December 2018, marking the effective completion of the work.</p> <p>Work was also undertaken to replace the gas cleaning units on pelletising machines at Central GOK.</p> <p>Other environmental accomplishments at metallurgical assets in 2018 included overhauling the gas-cleaning equipment of the secondary steel treatment facilities at Azovstal's basic oxygen furnace shop; commissioning a new gas-cleaning system on continuous casting machine no. 4 at Ilyich Steel; reconstructing the gas-cleaning equipment in the foundry at Mariupol Machining and Repair Plant; and completing extensive maintenance on the oven chambers at Avdiivka Coke and Zaporizhia Coke.</p> <p>As at the end of the reporting period, the Group had 10 entities certified as compliant with the ISO: 14001 environmental standard. Metinvest is undertaking steps to obtain certification for the remaining enterprises and expects to complete this process in the next few years.</p>
Anti-Corruption		
<p>Principle 10: Businesses should work against corruption in all its</p>	<p>The group strives to maintain the highest levels of corporate</p>	<p>Metinvest recognizes the importance of appropriate corporate management and supports high levels of transparency and</p>

<p>forms, including extortion and bribery.</p>	<p>governance and transparency throughout all of its activities and communications.</p>	<p>communications in accordance with international best practices. Metinvest supports ethical business practices within the Group, as well as among its partners, contractors and other stakeholders. Metinvest created a set of solid institutions that ensure rigorous oversight, maximum transparency and continuous risk management in every area of the business.</p> <p>We have the Compliance Program in place, which is aimed at ensuring transparency and an effective fight against corruption, as well as abuses in the workplace.</p> <p>In 2017-2018, we continued to develop our corporate governance institutions, including raising awareness of 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 2017-2018, more than 20,000 employees of Metinvest completed trainings on the company's business principles and the Code of Ethics and approximately 18,000 counterparties got familiar with them.</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. 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>
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For more information, please see Metinvest's Annual Reports for 2017 <https://metinvestholding.com/Content/Entities/Report/20/ru/2017.pdf> and for 2018 <https://metinvestholding.com/ar2018/> as well as our website: <http://www.metinvestholding.com>

More detailed information on these activities will be presented in Metinvest's Social Report for 2017-2018 in September 2019.