

## **UN GLOBAL COMPACT COMMUNICATION ON PROGRESS 2019**

### **STATEMENT OF SUPPORT FROM METINVEST'S CHIEF EXECUTIVE OFFICER**

Dear readers,

Metinvest 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. The Group 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 in the top 45 largest steel companies in the world according to the World Steel Association and in the top 10 iron ore producers in the world.

We strive to create a better, more sustainable future for both our business and our stakeholders. In 2019, we built on our efforts from prior periods through the deeper integration of Global Compact sustainability principles into our business processes and continued to work towards the achievement of UN Sustainable Development Goals.

Recognising the need for a function that covers all sustainability-related aspects, in 2019, Metinvest began to merge the functions responsible for human resources, health and safety, environmental protection into the Sustainable Development and People Management Directorate. This centralised management structure will help us to ensure the Group's long-term viability, safeguard the wellbeing of our employees and local communities, and strengthen relationships with our stakeholders.

In 2019, we continued to focus on reinforcing operational and labour safety, mitigating our environmental impact and developing local communities.

Acknowledging our core responsibility to provide a safe workplace, we partner with numerous companies and organisations worldwide with a common commitment to eliminate injuries. We strive not just for compliance but to ingrain safety into every aspect of our daily lives.

The Metinvest Technological Strategy 2030 envisages a long-term agenda to further reduce the footprint of the Group's operations and help to fight global climate change. While last year was a tough one for the global steel industry, Metinvest retained a clear focus on investing in green technology and major environmental programs.

We also continued to work in close partnership with our communities to maintain open communications and make targeted social investments, including in such vital areas as infrastructure, education, recreation and the environment, among others.

The year 2020 is posing major challenges for Metinvest and all of our stakeholders caused by the COVID-19 pandemic. We will not pause during this time on our sustainability agenda, including our commitment to health, safety and the environment, as it is essential to achieving our long-term strategic goals and creating value for the stakeholders.

The prompt and proactive measures that we have already undertaken to prevent the mass spread of the virus among our employees and in our local communities have helped us to weather the emergency so far. Going forward, the safety of our people at our assets in Ukraine and internationally will continue to be our number one priority.

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 of Metinvest Group

## 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.

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 by building a safe working environment.
- **Employee wellbeing and development.** We are committed to making our businesses the most attractive employers in their industries and regions of operation as well as building an effective human resources management system.
- **Local community development.** Our operations have a significant influence on the economy and local communities where Metinvest Group is present. We engage in effective dialogue with the public 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 entities as energy efficient as possible and to mitigate their environmental impact. We seek to comply with European and international environmental standards, increase the operational and energy efficiency of production and reduce emissions and waste.
- **Stakeholder engagement.** We believe it is necessary to engage in a constructive open dialogue with all stakeholders to jointly address social, economic and environmental issues.
- **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 increase the efficiency of all business processes, monitor the quality of products and introduce innovative product developments.
- **Business ethics and corporate governance.** We aim to be a leading company that meets the highest international standards of business ethics and global practices as well as ensure the transparent and efficient work of our corporate governance bodies.

**ADHERENCE TO THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT**

United Nations Global Compact Principle	Metinvest’s position	Progress in 2019
<b>Human Rights</b>		
<p><b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p><b>Principle 2:</b> 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 is committed to protecting labor and human rights in all operations and business activities. Our responsibility is to ensure that all our employees are treated with dignity and respect and enjoy a safe workplace that promotes their health and wellbeing.</p> <p>Our Code of Ethics ensures that Metinvest provides equal opportunities to all employees without barriers or discrimination on the grounds of nationality, race, gender, age, religion or any other characteristics that have no relevance to professional competencies and skills. In terms of labor rights, we strictly abide by the laws and regulations of each country of the Group’s operations. We support the right of our employees to join trade unions and carry out trade union activities.</p> <p>Metinvest recognizes the seriousness of human rights violations and provides employees with access to complaints mechanisms such as the trust line.</p> <p>In 2019, there were no human rights infringements reported related to our activities or business relationships.</p> <p><b>Employees</b></p> <p>Metinvest is responsible for more than 66,000 jobs worldwide, the vast majority of which are in Ukraine (without joint ventures).</p> <p>Over the years, the Group has developed a dedicated HR system focused on dealing with both the present and future requirements of employees and the organisation. We are committed to continuous improving in line with international best practice for creating an effective remuneration system, providing different learning and development opportunities and enhancing employee healthcare.</p> <p><b>Continuous employee development</b> is a core aspect of Metinvest’s sustainability strategy. Metinvest has a well-developed corporate education and training system, which is constantly innovating aimed at ensuring safe workplace, efficient equipment use and employee preparation for the next stage of the career ladder.</p> <p>In the plants, new recruits undergo both hands-</p>

	<p>on, supervised training as well as access to training machines and simulations, to permit virtual practice on complex equipment. For mid-level managers, we created several academies for crucial engineering and business disciplines to cover potential skills gaps and teach new techniques.</p> <p>Metinvest also continued education programme for senior management of the Group and its assets. Last year, it collaborated with Wharton Business School to develop a series of courses.</p> <p><b>Helping to deliver the Health and Safety agenda</b> the upgraded HSE training for both employees and managers are provided. In 2019, 1,611 employees attended corporate health and safety trainings.</p> <p><b>Improvement of HR services quality</b> through digital transformation is another priority of Metinvest’s HR strategy. In 2019, we continued to implement innovative SAP solutions for the automation of HR processes.</p> <p>As an example, in 2019, we introduced SAP Human Capital Management (HCM) for automation of HR Shared Service Center for employees to deliver responsive and efficient services across the Group.</p> <p>In 2019, Metinvest continued to <b>improve social benefits</b> for the employees. We completed the implementation of Individual Social Package at all major enterprises. Now the it covers more than 61,000 employees at 12 enterprises. With Individual Social Package, each employee can create a personal set of social benefits for the year. The list of benefits was expanded to 79 unique options in the area of health, learning and development, vacations, travel, leisure and entertainment, benefits for family and home.</p> <p><i>More details on the progress in the Human Resources area – in our Annual and Sustainability reports 2019.</i></p> <p><b>Health and safety</b></p> <p>For Metinvest health and safety of its employees, contractors and all the parties involved to the Group’s operations is number one priority.</p> <p>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.</p> <p>Metinvest increased its investments in</p>
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		<p>enhancing operational safety in 2019, which reached around US\$102 million, up 7% year-on-year.</p> <p>Last year, Metinvest became the first company in Ukraine to join Vision Zero, a global movement that unites hundreds of companies worldwide with a commitment to working without harming people.</p> <p>In 2019, nearly all of Metinvest’s production facilities improved their performance on key metrics in year-on-year terms, particularly LTIFR, which was lowest level in the Group’s history.</p> <p>We developed a new, five-year roadmap that aims to reboot the Group’s health and safety management system and correct its course towards achieving the ultimate goal of zero incidents. In the roadmap we focuses on the risk-based approach aiming to improve the processes of monitoring performance, planning precise action and tracking progress.</p> <p>In 2019, the internal safety audit system performed around 116 thousand audits by line managers, detecting over 167 thousand nonconformities and developing around 127 thousand risk-mitigation actions.</p> <p>In early 2020, the Group took unprecedented measures in response to the COVID-19 pandemic to prevent the further spread of the virus. The chosen strategy in combating the COVID-19 is to reduce the number of contacts where possible, including requiring employees who can work remotely, eliminating events that do not comply with social distancing practice, cancelling business trips and providing means for personal protection in those instances where people cannot stay home.</p> <p><i>More details on Health and Safety performance – in our 2019 Annual and Sustainability reports.</i></p> <p><b>Local communities</b></p> <p>In 2019 we continued to work in strategic partnerships with local government and NGOs to improve the quality of life for local residents and enhance the overall appeal of the areas where Metinvest operates. We invested in social projects more than US\$11 million and our joint venture Zaporizhstal invested US\$2 million.</p> <p>Today, the city development funds are the primary channel for Metinvest to make direct investments in the local communities. Together</p>
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		<p>we are developing social infrastructure, medicine and education, implementing environmental projects, support sport and culture, as well as bringing local residents together and enhancing their social activism. In 2019, we strengthened our relations with the Mariupol Development Fund, Zaporizhia Platform of Joint Action and Kryvyi Rih Foundation of the Future, which increased the contribution to the sustainable development of the cities.</p> <p>Another important aspect of Metinvest’s community development drive is ‘Green Centre’.</p> <p>In 2019, Metinvest held a number of environmental events as part of the ‘Green Centre’ initiative in Mariupol and Kryvyi Rih, and Zaporizhia making them clean and green, and developing an environmental culture among the public.</p> <p>Through the Green Centre we are also implementing various projects, such as Green Plant, Eco School, aimed at environmental education of children and the youth.</p> <p>Within our comprehensive program in response to COVID-19, we are helping our local communities to minimize spread of the virus. Metinvest is involved in the activities of regional crisis response centres on fighting the pandemic. We constructed the oxygen supply points and new oxygen lines in three healthcare facilities in Mariupol. Our enterprises supply oxygen and COVID-19 rapid tests to the hospitals in the locations of our presence. We support medical personnel with the personal protective equipment. Metinvest is also delivering food kits to the veterans of production to minimize their contacts with outside world and likelihood of infection. We are investing in opening of the regional center for transmissible diseases at Mariupol city hospital which will allow to promptly respond to the infectious disease outbreaks.</p> <p><i>More information on community development and COVID-19 response – in our 2019 Sustainability report.</i></p>
<p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p>	<p>Metinvest provides equal opportunities to employees based on their professional qualities irrespective of their age, sex, nationality, religious</p>	<p>Metinvest has never used compulsory or child labor. In 2019, we received no claims or complaints related to the aforementioned issues.</p> <p>Our Code of Ethics ensures that Metinvest provides equal opportunities to all employees without barriers or discrimination on the</p>

<p><b>Principle 4:</b> the elimination of all forms of forced and compulsory labor;</p> <p><b>Principle 5:</b> the effective abolition of child labor; and</p> <p><b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation.</p>	<p>beliefs and political views.</p>	<p>grounds of nationality, race, gender, age, religion or any other characteristics that have no relevance to professional competencies and skills. In terms of labor rights, we strictly abide by the laws and regulations of each country of the Group's operations.</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>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>
<b>Environment</b>		
<p><b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges;</p> <p><b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and</p> <p><b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Metinvest's strategic priority is modern, energy-efficient and environmentally friendly production.</p> <p>The Group has prioritised ecological investment focusing on programmes to reduce resource consumption and protect the ecosystems surrounding its facilities.</p> <p>We aim to comply with environmental legislation and take additional measures to reduce our environmental impact.</p>	<p>In order to address an environmental issue, the Group is working to consistently achieve incremental reductions in emissions, modernising production assets and introducing new technology. As part of the global community, and given Ukraine's increasing integration with Europe, Metinvest strives to adhere to international requirements in its Ukrainian operations, including measuring its carbon footprint in accordance with European standards.</p> <p>As at the end of the reporting period, 15 Metinvest Group enterprises have certified their environmental management systems as compliant with the latest requirements of the ISO 14001:2015 international standard.</p> <p>Metinvest remains committed to the fight against climate change and is looking for ways to better evaluate the climate-related risks for its business, including reducing greenhouse gas emissions, improving water resource management and minimising the volumes of metallurgical slag, tailings and overburden.</p> <p>In 2019, Metinvest made important progress towards its ecological investments. The Group increased total environmental spending to US\$384 million, up 46% year-on-year. Of this amount, US\$155 million was allocated for capital expenditures.</p> <p>Our ecological modernization program 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.</p>



		<p>In 2019, Metinvest completed the modernisation of several dedusting and gas cleaning systems as well as the overhaul of the sewage system at Ilyich Steel. At Azovstal, the Group rebuilt a blast furnace, along with the hot metal desulphurisation unit and a coke oven battery. The oven chambers of Avdiivka Coke and Zaporizhia Coke were also reconstructed, significantly cutting emissions. Northern GOK finished a crucial stage of rebuilding the Lurgi 552-A pelletising machine to more efficiently utilise iron ore to make premium pellets, reducing waste and the need for chemical treatments. Central GOK invested in updating the tailing storage facilities, to ensure they remain secure for many years to come.</p> <p><i>More details on Environmental performance – in our 2019 Annual and Sustainability reports.</i></p>
<b>Anti-Corruption</b>		
<p><b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>The Group strives to maintain the highest levels of corporate governance and transparency throughout all of its activities and communications.</p>	<p>Transparent and ethical business is the foundation of our strategic vision, as well as the basis for partnership with our stakeholders. To ensure that ethical principles are respected in day-to-day activities, Metinvest has introduced a number of policies that regulate the way we conduct our business. There include the Code of Ethics, Conflict of Interest Policy, Antitrust Compliance Policies, as well as a number of other policies such as Anti-Money Laundering/Countering the Financing of Terrorism Policy, which has been established in line with European regulations.</p> <p>We have the Compliance Program in place aimed at ensuring transparency and an effective fight against corruption, as well as abuses in the workplace.</p> <p>Metinvest Group’s Code of Ethics lays out the standards and framework of ethical business conduct required of all Metinvest employees regardless to follow in their everyday activities. It sets forth principles of integrity and honesty, and provides guidance for identifying and acting on critical issues that require immediate consideration.</p> <p>In 2019, 31,856 employees of Metinvest completed trainings on the company’s business principles and the Code of Ethics.</p> <p>Metinvest supports the right of every employee and other interested parties to express concerns about their work and to report misconduct through the confidential Trust line. Metinvest commits to complying with anti-</p>

		<p>corruption laws established in jurisdictions in which the Group operates. Identification, analysis and assessment of risks associated with corruption and fraud are performed at all levels and in each of the Group's assets. We do not offer or take bribe, and closely monitor that vendors and business partners we work with adhere to stringent anti-corruption norms.</p> <p>The list of job positions with high-risk of potential fraud and corruption violations was updated and expanded, and additional risk management measures were introduced during the reporting period.</p> <p>Metinvest performs mandatory anticorruption verification of suppliers and customers, while operations with representatives of the public sector and programmes for financing social projects receive special scrutiny.</p> <p>All internal and external candidates for senior and high-risk positions are subject to mandatory internal security screening. Former government officials and politicians are subject to more detailed verification.</p> <p>In 2019, there were no reported and confirmed cases of corruption violations.</p> <p><i>More details on business ethics and anti-corruption – in our 2019 Annual and Sustainability reports.</i></p>
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For more information on our sustainability development progress please refer to 2019 Metinvest's Annual Report and 2019 Sustainability Report which will be published on the official website <https://metinvestholding.com/> soon.