

# UN GLOBAL COMPACT COMMUNICATION ON PROGRESS 2020

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

Dear readers,

Metinvest is an international, vertically integrated group of steel and mining companies with a multinational asset base and global sales network.

Metinvest recognises that it co-exists with its stakeholders in the global community. Its long-term goals focus on creating value for them, in both financial and non-financial ways. When making strategic decisions, the Group strives to take into account the needs, interests and expectations of all.

In 2020, Metinvest again demonstrated its ability to successfully navigate adverse market conditions while moving to strengthen relationships with all stakeholders in order to secure a sustainable future.

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. We continued to focus on reinforcing operational and labour safety, mitigating our environmental impact, developing our employees and building vibrant local communities.

To ensure that we remain on track with the ESG agenda, we obtained an independent third party assessment of Metinvest's ESG performance in 2020. Metinvest received an inaugural ESG Risk Ratings from Sustainalytics ranked it in the top 10 of 140 rated steel companies. This is an important metric of sustainability that the Group aims to continuously improve.

Sustainalytics noted the robustness of Metinvest's ESG programmes, practices and policies, highlighting that ESG is integrated into its core business strategy and overseen by the Supervisory Board. The agency added that the Group's overall ESG-related disclosure follows best practice, which implies strong accountability to all stakeholders.

Regarding environmental management, Sustainalytics noted Metinvest's responsible approach to air emissions, effluents, waste issues and use of resources. In relation to the social component, the agency cited the Group's strong health and safety management system, contractor safety programmes and human capital practices. Metinvest's risk management in all categories for governance was also assessed as strong, due to its high standards of business ethics, efficient anti-bribery and anti-corruption programmes, and product governance.

The year 2020 brought major challenges for Metinvest and all of our stakeholders caused by the COVID-19 pandemic. We did not pause during that time on our sustainability agenda, including our commitment to health, safety and the environment. The Group retained a clear focus on investing in green technology and major environmental programmes. 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.

The safety of our people will continue to be our number one priority. We strive not just for compliance but to ingrain safety into every aspect of our daily lives. We partner with numerous companies and organisations worldwide with a common commitment to eliminate injuries.

In response to the COVID-19 pandemic, in 2020, the Group has taken unprecedented measures to prevent the further spread of the virus among its staff and local communities.

In 2020, 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, healthcare, recreation and the environment, among others.

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

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

## METINVEST'S VISION OF SUSTAINABLE DEVELOPMENT

Sustainable development is a key part of Metinvest's business strategy. Through our sustainability initiatives, we strive to guarantee environmental safety, ensure our employees' health and wellbeing, make our energy usage more efficient, as well as foster economic development and technological progress. The principles of sustainable development are embedded into every aspect of our business.

Metinvest determines key focus areas for sustainable development:

- **Health and safety of employees.** Our employees are our greatest value. 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 capital 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 assets 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. We work on reducing emissions, waste and water consumption to contribute to addressing climate change issues.
- **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.

Metinvest has been a member of the United Nations Global Compact since 2010, and therefore commits to conducting its business responsibly and aligning its strategy and operations with the Ten Principles, which span human rights, labour, the environment and anti-corruption.

Metinvest has also aligned its approach to sustainable development with the UN Sustainable Development Goals (SDGs). While acknowledging all 17 SDGs and striving to further the achievement of these goals at the local, national and international levels, some global goals and targets are more relevant to its core business. Metinvest's sustainability initiatives in 2020 centred on responsible labour practices, occupational health and safety standards, building resilient infrastructure in its cities of presence, rethinking operational efficiency, as well as upgrading machinery and equipment to meet the most recent environmental standards. These areas are covered by SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities) and SDG 12 (Responsible Consumption and Production), which were the Group's primary focus in the reporting period. Metinvest also made SDG 13 (Climate Action) its primary focus in 2020 and beyond as it acknowledges the importance of mitigating climate risks. To this end, the Group is currently in the process of developing a comprehensive action plan to address its greenhouse gases emissions in 2021 and beyond.



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

United Nations Global Compact Principle	Metinvest's position	Progress in 2020
<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 recognise and accept this as an important part of our sustainable development.</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>Metinvest ensures respect for human rights in accordance with the international standards. The company's human rights responsibilities are attested in a number of documents that govern relationship, such as the Code of Ethics, internal labour procedures, and the remuneration management policy.</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 recognises the seriousness of human rights violations and provides employees with access to complaints mechanisms such as the Trust line.</p> <p><b>Employees</b></p> <p>Metinvest is responsible for more than 69,000 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. In 2020, we revised the training</p>

		<p>and development strategy of our personnel and centralised the function of managerial training. In 2020, about 44,000 employees completed corporate learning and development Programmes, including about 6,000 managers. The annual average amount of training per employees was 83.5 hours. Helping to deliver the Health and Safety agenda the HSE trainings for employees are provided. In 2020, the number of HSE training enrolments exceeded 37,000.</p> <p><b>Improvement of HR services quality</b> through digital transformation is another priority of Metinvest's HR strategy. In 2020, we continued to implement innovative SAP solutions for the automation of HR processes.</p> <p>In 2020, Metinvest continued to <b>improve social benefits</b> for the employees. We expended implementation of Individual Social Package at our assets. Now it covers more than 60,900 employees at 13 assets. With Individual Social Package, each employee can create a personal set of social benefits for the year. The list of benefits includes 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 capital management – in our 2020 Annual and Sustainability reports.</i></p> <p><b>Health and Safety</b></p> <p>Metinvest is committed to providing a safe work environment for its employees and contractors. We apply a proactive approach to ensure that every individual who enters the Group's facilities is engaged in health and safety and committed to the safety culture. To live up to our zero injuries commitment, we focus on cultivating positive behavioural changes, which includes encouraging every employee and contractor to take personal responsibility for their health and safety and improve their individual safety performance. 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. In 2020, Metinvest increased its investments in enhancing operational safety up to \$106 million.</p>
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		<p>Since 2019 Metinvest has been a participant of Vision Zero, a global movement that unites hundreds of companies worldwide with a commitment to working without harming people.</p> <p>In 2020, nearly all of Metinvest's production facilities improved their performance on key metrics in year-on-year terms. The Group decreased its LTIFR to 0.520 which is the lowest rate that it has ever achieved. And also, improved its FFR (0.044) compared to 2019.</p> <p>Our five-year HSE 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 2020, it was revised with a key focus on fatality risk areas during last three years, such as work at heights, rail safety, buildings and structures, cranes and movement of loads, energy insulation and electric safety.</p> <p>In 2020, the internal safety audit system performed around 160 thousand audits by line managers, detecting over 389 thousand nonconformities and developing around 266 thousand risk-mitigation measures.</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 was 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 2020 Annual and Sustainability reports.</i></p> <p><b>Local communities</b></p> <p>In 2020, Metinvest continued strategic cooperation with communities, local government and NGOs to jointly implement projects on the development of social infrastructure, education, healthcare, culture and sports. This format creates significant opportunities for sustainable development of the regions where Metinvest operates. In 2020, we invested in social projects more than US\$15 million, including US\$5.5 - in COVID-19</p>
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		<p>response initiatives to prevent the further spread of the virus among local residents.</p> <p>Among the most significant projects implemented in cooperation with local NGOs – a unique educational programme ‘Master of Public Administration’ for local government officials (in Mariupol, Kryvyi Rih, Zaporizhia, Avdiivka and Pokrovsk), reconstruction of Liberty and Peace square in Mariupol, Art Forum in Zaporizhia, renovation of clinical diagnostic laboratory in the city hospital of Avdiivka, creation and development of IT Hub&amp;Coworking in Kryvyi Rih.</p> <p>In 2020 to enhance its partnership with the city of Mariupol and to contribute to sustainable city development, Metinvest signed a memorandum of cooperation with the municipality. In the framework of signed MoU the company intends to take part in the implementation of long-term complex programs in Mariupol such as "More than care", "More than steel" and "More than a dream".</p> <p>In response to COVID-19 pandemic, Metinvest constructed oxygen supply points and new oxygen lines at four healthcare facilities in Mariupol; improved the infectious diseases department in the city hospital of Mariupol. Together with the charitable initiatives of its shareholders, the Group has provided COVID-19 rapid tests, medical ventilators and protective equipment to hospitals in Ukraine. Important initiative that Metinvest supported in COVID-19 response was arranging and financing the delivery of humanitarian supplies worth more than US\$1 million from China to Ukraine.</p> <p>Another important aspect of Metinvest’s community development drive is ‘Green Centre’.</p> <p>In 2020, as part of ‘Green Centre’ initiative the Group also implemented more than 100 environmental community projects, including Green Plant and Ecoschool educational initiatives for children, 100 Green Yards, Clean Entrance Hall, Forever Green and others in Mariupol, Kryvyi Rih and Zaporizhia cities making them clean and green, and developing an environmental culture among the public.</p>
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		<i>More information on community development and COVID-19 response – in our 2020 Sustainability report.</i>
<p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</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>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 a person's professional competencies.</p>	<p>The Group human capital management policy is in full compliance with the key principles of the International Labor Organisation and the norms of national labour laws.</p> <p>We respect the right of our employees to form unions and associations. Metinvest works closely with professional unions at its assets and has implemented collective labor agreements that cover numerous social benefits. We also continue to assist other employee organisations such as youth associations and councils of veterans. Youth and veteran organisations' activities are regulated by the provisions of collective agreements. In 2020, collective bargaining agreements covered more than 90% of the Group's employees.</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.</p> <p>Metinvest has never used compulsory or child labor. In 2020, we received no claims or complaints related to the aforementioned issues.</p> <p><i>More information in our 2020 Sustainability report.</i></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. The Group is prioritising its Ecological Policy, 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>Reducing our carbon footprint is a vital part of our sustainability agenda. The Group is working to consistently achieve incremental reductions in emissions, modernising production assets and introducing new technology.</p> <p>In 2020, Metinvest increased total environmental spending to US\$450 million, up 17% year-on-year. Of this amount, US\$205 million was allocated for capital expenditures. We completed the core work to modernise Ilyich Steel's sinter plant, the largest environmental project in Ukraine's history.</p> <p>As part of the global community, Metinvest strives to adhere to international requirements in its Ukrainian operations, including measuring its carbon footprint in accordance with European standards. 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</p>



		<p>the volumes of metallurgical slag, tailings and overburden.</p> <p>Our ecological modernisation programmes 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><i>More details on Environmental performance – in our 2020 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. They 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. In April 2021, the Group has adopted <a href="#">Supplier Code of Conduct</a> to establish clear standards of compliance with ethical principles and requirements for business conduct that should guide both existing partners and new supplier. We have the Compliance Programme 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>As of the end of 2020, 60% of the Group's employees 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-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</p>

		<p>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. 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. All internal and external candidates for senior and high-risk positions are subject to mandatory internal security screening. In 2020, there were no reported and confirmed cases of corruption violations.</p> <p><i>More details on business ethics and anti-corruption – in our 2020 Sustainability report.</i></p>
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For more information on our sustainability development progress please refer to 2020 Metinvest's Annual Report and Sustainability Report which will be published on the official website <https://metinvestholding.com/> soon.