

HUMAN AND STEEL



METINVEST

SUSTAINABILITY
REPORT
2017-2018

Contents

CEO's statement.....	4
Map of the key Metinvest Group's assets.....	6
Metinvest Group in numbers, 2017-2018.....	8
SECTION 1. WE ARE METINVEST	
Our strategy, goals and priorities.....	12
Sustainable development.....	18
Corporate governance.....	25
Transparency and accountability.....	33
Products, customers and supply chain.....	37
Stakeholder engagement.....	43
SECTION 2. INVESTING IN ECOLOGY	
Key events.....	50
Our approach.....	50
Ecological modernisation.....	53
Dialogue with the community.....	64
Energy efficiency and resource management.....	69
Near-term plans.....	74
SECTION 3. CREATING SAFE WORKING CONDITIONS	
Key events.....	76
Our approach.....	76
Investments in safety.....	82
Analysis of workplace injuries.....	83
Occupational health and safety training.....	86
Employee health.....	89
Near-term plans.....	91

SECTION 4. TAKING CARE OF OUR EMPLOYEES

Key events.....	92
Our approach.....	92
Employee remuneration and motivation.....	98
Working conditions and social benefits.....	99
Staff training and development.....	100
Internal communications.....	107
Near-term plans.....	109

SECTION 5. HELPING CITIES AND PEOPLE

Key events.....	110
Our approach.....	110
Development of the social partnership programme.....	113
Near-term plans.....	141

ANNEXES

Annex 1. About the Report.....	142
Annex 2. Abbreviations.....	150
Annex 3. GRI content index.....	151
Annex 4. Metinvest Group's quantitative performance indicators, 2015-18.....	163
Annex 5. Feedback form.....	167



Dear friends!

For Metinvest Group, 2017-18 was a period of growth and change. We overcame past challenges and fully adapted to the new reality. We reviewed our Strategic Priorities and Technological Strategy 2030 to make our business more flexible and successful in the long term. We achieved solid production results and created a roadmap for sustainable development.

In 2018, Metinvest delivered the strongest financial results in four years. We restructured and refinanced our debt. The transaction was the largest in the history of Ukraine's corporate sector. The 'Big Three' international credit rating agencies – Moody's, Standard & Poor's and Fitch – issued positive outlooks for their ratings of Metinvest. We attracted international financing, effectively unfreezing the debt capital markets for all Ukrainian companies.

The Group's capital investment was the highest amount in the past seven years: in 2018, it totalled US\$898 million, of which US\$92 million went to fund environmental projects. At Azovstal, the major overhaul of blast furnace no. 3 began, while at Ilyich Steel, the new continuous casting machine and first-phase facility of the sinter plant gas cleaning system were launched. We also modernised the quarry equipment at our mining enterprises. These projects are aimed at improving production efficiency and reducing environmental impact.

Health and safety are our overriding priorities. The Group is introducing global best practices to create a safe working environment at its facilities. We are one step closer to our goal of achieving zero injuries. Metinvest was the first Ukrainian company to receive international

Vision Zero certification, which sets higher standards for the prevention of workplace injuries.

Metinvest's greatest asset is our employees. We improve working conditions and social programmes as well as provide opportunities for employees to grow and develop within the Group.

In 2017-18, Metinvest strengthened its strategic partnerships with public organisations to improve the quality of life in the cities where we operate. We are implementing long-term infrastructural projects to help to meet the real needs of residents. In 12 years, the Group has invested more than US\$100 million to develop local communities, a fifth of which was invested during the reporting period.

We continue to expand our Report Boundary: for the first time, our Sustainability Report includes not only our Ukrainian enterprises, but also our assets in Europe and the US. Metinvest is Ukrainian steel all around the world. Our responsibility is to care for our employees and the residents of the cities where we operate, both in Ukraine and other countries. After all, business cannot last long if it does not change the life of society for the better. That is why every day, we become more efficient, environmentally friendly and safe.

Yuriy Ryzhenkov
Chief Executive Officer, Metinvest Group

Map of the key Metinvest Group's assets



-  Parent company
-  Management company
-  Sales
-  Logistics
-  Mining operations | Iron ore
-  Mining operations | Coking coal
-  Steelmaking operations
-  Service and engineering

- | | | | | |
|---|---|---|--|--|
| <p>UKRAINE</p> <ul style="list-style-type: none">  Metinvest Holding  Metinvest-SMC  Metinvest Digital | <p>Zaporizhia</p> <ul style="list-style-type: none">  Zaporizhia Coke  Zaporizhstal JV  Zaporozhogneupor (associated company)  Metinvest-Promservice | <p>Kryvyi Rih</p> <ul style="list-style-type: none">  Unisteel  Northern GOK  Central GOK  Ingulets GOK  Southern GOK JV  Metinvest-KMPR  Metinvest Business Service | <p>Mariupol</p> <ul style="list-style-type: none">  Ilyich Steel  Azovstal Inkor & Co  Metinvest-Engineering  Metinvest-Resource  Metinvest-M&R  Metinvest-Shipping | <p>Avdiivka</p> <ul style="list-style-type: none">  Avdiivka Coke |
|---|---|---|--|--|

Metinvest Group in numbers, 2017-18

TOP-45 steel producers in the world

TOP-10 iron ore producers in the world

66 000 employees



KEY FINANCIAL INDICATORS

\$ 20,8 BILLION

Consolidated revenues

\$ 1,4 BILLION

Capital investments

\$ 4,6 BILLION

EBITDA



KEY OPERATIONAL INDICATORS*

16,1 MILLION TONNES

Pig iron

14,7 MILLION TONNES

Steel

17,1 MILLION TONNES

Commercial pig iron and metal products**

54,8 MILLION TONNES

Iron ore concentrate

5,1 MILLION TONNES

Coal concentrate



INVESTMENTS IN SUSTAINABLE DEVELOPMENT:

\$ 488 MILLION

Spent on environment protection

\$ 176 MILLION

Invested in occupational health and safety

\$ 21 MILLION

Social investments

\$ 8 MILLION

Invested in employee training and development

*The data does not include operating indicators of assets over which the company lost control in March 2017.

** The data does not include intra-group sales and intra-group use.

Section 1

We Are Metinvest

STRATEGIC PRIORITIES 2030

- Enhance sustainability of the Group
- Enhance low-cost steel producer position
- Increase production capacity by growing organically
- Enhance product portfolio to strengthen position in key strategic markets
- Focus on customer needs
- Increase efficiency
- Pursue selective acquisition opportunities

OUR STRATEGY, GOALS AND PRIORITIES

Metinvest Group's strategy sets long-term goals and lays the foundation for its Technological Strategy 2030. We are committed to becoming a leading steel producer in Europe while demonstrating steady growth and profits regardless of the phase of the economic cycle, as well as ensuring returns on investment that are higher than the industry average.

Metinvest strategic goals:

- sustain competitive advantages in steelmaking through vertical integration
- strengthen positions in strategic markets
- achieve business excellence through best practices

Our strategic priorities are the foundation of Metinvest Group's investment and corporate planning. In 2017, we revised our strategic priorities and Technological Strategy 2030 to meet our obligations to employees and the public.

We are committed to improving labour safety, offering competitive salaries and benefits to our employees, minimising our environmental impact and actively developing local communities.



TECHNOLOGICAL STRATEGY 2030

The Technological Strategy 2030 is the roadmap used to implement our strategic priorities.

Primary focuses of the Technological Strategy 2030:

Health, safety and environment	Implement environmental modernisation projects to reduce emissions to European standards. Ensure safety to achieve zero injuries to employees at our enterprises
Steel	Increase steel production capacity at Mariupol plants by 30% through major repairs to blast furnaces, the construction of new continuous casting machines and the modernisation of rolling mills. Boost the economic efficiency of production through the maximum processing of raw materials and manufacturing of products with higher added value
Iron ore	Increase the iron content in iron ore products, as well as improve the mechanical and chemical properties of pellets in order to strengthen our position on strategic markets

IMPLEMENTING THE TECHNOLOGICAL STRATEGY 2030

One of our smelters' top achievements was the construction of continuous casting machine no. 4 at Ilyich Steel. The commissioning of the machine resulted in a 40% increase in the plant's annual steel production capacity to 4.3 million tonnes. At Azovstal, the major overhaul continues of blast furnace no. 3, which will increase annual liquid iron production capacity by 10-15% to 1.3-1.6 million tonnes. The furnace is scheduled to be put into operation in 2019.

We have modernised mining equipment at our mining enterprises, which enabled us to increase production efficiency.

Metinvest has also implemented a number of environmental projects that aim to reduce the company's environmental impact. The biggest project was the reconstruction of the sinter plant at Ilyich Steel (for more, see Section 2).

METINVEST GROUP CEO YURIY RYZHENKOV

"We have revised Metinvest's Technological Strategy taking into account market conditions and the operating environment. Our goal is to maintain the Group's stability during economic downturns and create new opportunities amidst economic recoveries thanks to a focus on high value-added products"

IMPACT OF THE CONFLICT IN EASTERN UKRAINE

In March 2017, Metinvest lost control of the following enterprises located in the conflict zone of Eastern Ukraine: Yenakiiyeve Steel (including Makiivka Steel), Krasnodon Coal, Khartsyzk Pipe, Komsomolske Flux and the Metallen joint venture.

The escalation of the conflict in February-March 2017 near the city of Avdiivka, where Avdiivka Coke is located, led to the partial suspension of production at the plant due to interruptions in power supplies. In May 2017, after connecting to a new high-voltage line, the plant resumed the operation of eight coke oven batteries and is now functioning normally (for more, see Section 2).

US\$898 MLN

invested by Metinvest Group in 2018, its largest capital investment programme in the last seven years

FINANCIAL AND OPERATING RESULTS OF METINVEST GROUP

We managed to improve the Group's financial performance during the reporting period. This was aided by an increase in demand and prices for metal products and iron ore raw materials on the external and domestic markets.

In 2017, Metinvest increased revenues by 44% year-on-year to US\$8.9 billion and EBITDA by 77% to US\$2 billion. In 2018, revenues grew by another 33% to US\$11.9 billion and EBITDA rose by 23% to US\$2.5 billion.

Key financial indicators of Metinvest Group

US\$ mln	2015	2016	2017	2018
Consolidated revenues	6,832	6,223	8,931	11,880
Capital investments	285	374	542	898
EBITDA	513	1,153	2,044	2,513

Key operational indicators of Metinvest Group*

'000 tonnes	2015	2016	2017	2018
Pig iron	6,402	6,995	7,941	8,205
Steel	5,850	6,441	7,361	7,323
Commercial pig iron and metal products**:	6,696	7,254	8,352	8,795
Semi-finished products	1,984	1,964	2,746	3,026
- Pig iron	1,181	1,230	1,403	1,644
- Slabs	802	734	1,343	1,382
Finished products	4,712	5,290	5,606	5,769
Flat products	4,010	4,385	4,675	4,747
Long products	610	738	714	817
Railway products	31	73	67	65
Tubular products	61	94	150	140
Iron ore concentrate and pellets:	52,590	46,733	42,531	42,571
Total iron ore concentrate (IOC)	32,208	29,640	27,464	27,353
Commercial iron ore products (concentrate and pellets)**	20,382	17,093	15,067	15,218
Coal concentrate	2,940	2,302	2,461	2,683

* The data does not include operating indicators of assets over which the company lost control in March 2017.

** The data does not include intra-group sales and intra-group use.

OUR ECONOMIC VALUE TO SOCIETY

Metinvest provides stable revenues to the state budget: we paid US\$934 million in taxes in Ukraine in 2017-18.

METINVEST GROUP CEO
YURIY RYZHENKOV

"Metinvest is traditionally among the hundred largest taxpayers in Ukraine, and metallurgy is one of the five industries that holds up the country's economy"

We pay for employees' work by providing them with monetary compensation and benefits, purchase raw materials and services from suppliers and contractors, provide investors with returns that are higher than the indicators for the industry and contribute to society through social partnership programmes in the regions where we do business.

US\$1.2 BLN

transferred by Metinvest Group to budgets at all levels in 2017-18





Metinvest Group refinanced debt obligations to the tune of US\$2.3 billion



Deal of the year

Despite the difficulties resulting from the loss of our enterprises and the unstable geopolitical situation in Ukraine, Metinvest not only managed to maintain investor confidence, but also carried out a unique refinancing of its debt portfolio.

In April 2018, the Group refinanced debt obligations to the tune of US\$2.3 billion, thus reducing the total cost of financing and ensuring a more stable capital structure. We issued bonds worth US\$1.6 billion, while the total amount of pre-export financing amounted to US\$765 million. Together, these transactions generated about US\$205 million in new funds for Metinvest.

A deal of this magnitude demonstrates confidence on the part of the global investor community and leading European financial institutions. To date, this is the largest issue of Eurobonds in the Ukrainian corporate sector.

**DIRECTOR OF METINVEST GROUP'S FINANCIAL
MANAGEMENT DEPARTMENT
ALEXANDER LYUBAREV**

"We have convinced investors to believe in a business that had experienced a difficult situation in Ukraine over the past few years, as well as a period of low steel and ore prices, but also took a responsible approach to its debt obligations. The success of Metinvest's major debt refinancing, which took into account the interests of all stakeholders, demonstrates the reliability of Ukrainian borrowers to the global financial community"

International Financing Review, a reputable source of information on capital markets, recognised Metinvest's debt refinancing as the deal of the year for the issuance of bonds among issuers from developing nations in Europe, the Middle East and Africa.

The Group also won a competition run by the publication TXF, which covers transactions involving the financing of export, trade and goods. TXF recognised the transaction as the 'European Commodities Finance Deal of The Year' and it also topped the annual Perfect 10 ranking for 2018.

EXPANDING PORTFOLIO OF ENTERPRISES

In an effort to strengthen its vertical integration and enhance its resilience to economic cycles, Metinvest Group acquired interests in several Ukrainian enterprises in 2018.

In August 2018, we acquired a 24.99% stake in the Pokrovske coal business, as well as a 23.71% stake in Southern Coke. This has boosted our self-sufficiency in coking coal and metallurgical coke.

Also in the second half of 2018, Metinvest acquired a 100% stake in Unisteel, which has a galvanising line (with an annual production capacity of up to 100,000 tonnes). This transaction strengthened our position on the galvanised steel market and ensured the guaranteed sale of some of the cold-rolled steel that is produced by the Group's other enterprises.



SUSTAINABLE DEVELOPMENT



Metinvest Group's strategic sustainable development principles aim to ensure safe working conditions, the sustainable use of resources and energy efficiency, as well as to mitigate the company's environmental impact and fulfil obligations to employees, their families and society as a whole.

In 2018, 71 companies that are members of the World Steel Association, including Metinvest, signed an updated Charter for the sustainable development of the steel industry. The Charter affirms the commitment of the association's members to adopt the principles of sustainable development as a core business practice

As part of the implementation of our corporate social responsibility strategy, we:

- are responsible for our actions and assess their potential impact on local communities
- voluntarily contribute to the development of the regions where Metinvest operates
- hold an open and constructive dialogue with all stakeholders
- introduce the principles of sustainable development in all aspects of our business



PRIORITY FOCUSES OF METINVEST GROUP IN SUSTAINABLE DEVELOPMENT



Health and safety of employees

We are systematically building a safe working environment. This means that each manager is responsible for the safety of their subordinates, and each employee is responsible for their own safety and the safety of others.



Ecology and energy efficiency

We view environmental protection as a key priority. Metinvest Group is committed to complying with European environmental standards, increasing the operational and energy efficiency of production, as well as investing to reduce emissions and waste.



Employee wellbeing and development

We are building an effective human resources management system. Employees are the foundation of our success and the core value that ensures the Group's competitiveness.



Development of local communities

We take a systematic and strategic approach to the implementation of social projects and engage in an effective dialogue with the public. Metinvest makes a significant contribution to developing and helping to solve the problems of local communities and is committed to constantly mitigating the negative impact of our operations.



Business ethics and corporate governance

We are committed to the most transparent and efficient work of our corporate governance bodies. Our core ethical and business standards are enshrined in Metinvest Group's Code of Ethics. Metinvest's corporate governance system was built taking into account global best practices.



Stakeholder engagement

We openly collaborate with all stakeholders in order to enhance the transparency and efficiency of our work. This approach helps the Group to understand the expectations of stakeholders, obtain feedback and establish long-term cooperation.



Quality of products and services

We are constantly working to increase the efficiency of all business processes, monitor the quality of products at each stage of the production chain, introduce innovative and scientific developments and involve staff in improving the production activities of our enterprises. In doing so, we provide a consistently high-quality product that meets the expectations of our partners.



CONTRIBUTION TO ACHIEVING THE UN SUSTAINABLE DEVELOPMENT GOALS IN 2017-18

Since 2010, Metinvest has been a voluntary participant in the UN Global Compact. We take into account the 17 UN Sustainable Development Goals in our operations and contribute to the sustainable development of Ukraine



End poverty in all its forms everywhere

Metinvest Group provides employees with competitive salaries and social guarantees and invests in staff development and motivation (for more, see Section 4). We enhance activism in communities and invest in their socioeconomic development by implementing social partnership programmes with the cities where we operate (for more, see Section 5).

Metinvest Group is one of the largest taxpayers to local and state budgets.



End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Metinvest provides financial support to the “We Help” Humanitarian Centre, which was established in 2014 to provide assistance to civilians in the Donetsk and Luhansk regions who suffered as a result of the conflict in Eastern Ukraine.



Ensure healthy lives and promote well-being for all at all ages

We are implementing projects that aim to provide preventive care and promote a healthy lifestyle:

- projects to prevent non-occupational injuries
- in-depth medical examinations to prevent cardiovascular diseases
- sporting events and marathons
- projects for the construction of sports infrastructure (for more, see Sections 3, 4 and 5)



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Metinvest creates conditions for the training, professional development and career growth of specialists of different levels and professions. We actively cooperate with educational institutions to train skilled personnel and promote professions in the mining and steelmaking industry.



Achieve gender equality and empower all women and girls

Metinvest ensures that employees have equal opportunities. Any discrimination based on sex, age or other grounds is not tolerated.

Where possible, Metinvest is removing obstacles for women to work in professions that have previously been considered male-dominated (for more, see Section 4).



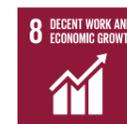
Ensure availability and sustainable management of water and sanitation for all

Reducing water consumption from natural sources and improving the quality of discharged water is part of Metinvest Group’s Environmental Policy. The following investment projects were implemented in the reporting period: constructing a cooling cycle for blast furnace no. 4 at Azovstal, cleaning the Azovstal sludge collector and repairing and replacing the water supply and sewage networks at enterprises (for more, see Section 2).



Ensure access to affordable, reliable, sustainable and modern energy for all

Avdiivka Coke is the sole source of heat supply for the city of Avdiivka. The plant provides the city with thermal energy at the lowest prices in Ukraine. In early 2017, Avdiivka was left without gas due to military operations. Avdiivka Coke was involved in funding the construction of a new gas pipeline and also provided machinery and manpower required to restore the city to normal life (for more, see Section 5).



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

We provide decent working conditions and social guarantees to employees and their families (for more, see Section 4).



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Metinvest is modernising its production facilities using innovative technologies and advanced solutions.

For example, we have been introducing the SAP system to automate business processes since 2011. In 2018, the Group completed the transfer of the SAP system to the cloud platform and also automated the planning process for the 'Coal-Coke-Cast Iron' production chain.

As part of social partnership programmes with the cities where we operate, we conduct major repairs on socially significant infrastructure (for more, see Section 5).



Reduce inequality within and among countries

Metinvest is committed to international principles for reducing inequality. In an effort to ensure equality, we comply with the principle of equal pay for work of equal value regardless of the region, ethnic origin, gender or other characteristics of employees.



Make cities and human settlements inclusive, safe, resilient and sustainable

We have developed social partnership programmes with the cities where we operate in order to ensure the development of Ukrainian society. The social programmes that are being implemented have the following priority focuses: the development of social infrastructure, healthcare, education, culture and sports, enhancing community activism and charity (for more, see Section 5).



Ensure sustainable consumption and production patterns

Metinvest is committed to the sustainable management of its waste – both industrial and consumption waste.

The overburden rocks of mining and processing plants are used for crushed stone production and the construction and repair of roads and railway tracks at quarries (for more, see Section 2).



Take urgent action to combat climate change and its impacts

We are implementing an energy efficiency and energy conservation programme that helps to reduce emissions of carbon dioxide and other greenhouse gases (for more, see Section 2).

Since 2017, Metinvest has been taking part in a joint project of the World Bank and the Ukrainian Ministry of Ecology and Natural Resources that aims to create a national greenhouse gas emissions trading system.



Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Azovstal uses seawater in its technological processes. In an effort to reduce water consumption, the plant built a cooling cycle for blast furnace no. 4 and cleaned its sludge collector in 2017-18.



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

In order to preserve and restore the biological diversity of natural landscapes that have been transformed, Ingulets GOK has undertaken voluntary commitments to protect the Vizirka wildlife sanctuary, which has been established on the territory of depleted open-pit mines in Dnipropetrovsk region (for more, see Section 2).

All Metinvest enterprises carry out annual landscaping campaigns: they plant trees, shrubs and flowers in parks, on riverfronts and other recreational sites.



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

We are committed to the principles of transparency and accountability and openly inform stakeholders about our activities as well as the socioeconomic impacts of business on society and the environment.

Since 2010, Metinvest has been releasing social reports every two years in accordance with the requirements of the GRI international non-financial reporting standard.

Metinvest Group's core values are: life, health, environment; customer focus; professionalism; leadership; and teamwork.



Strengthen the means of implementation and revitalise the global partnership for sustainable development

Metinvest and the Mariupol Development Fund public organisation jointly develop partnerships with international donor organisations for the implementation of joint sustainable development projects (for more, see Section 5).



Winner at the Platts Global Metals Awards 2017

Metinvest won the Corporate Social Responsibility Award nomination at the Platts Global Metals Awards in 2017. The panel selected Metinvest for its commitment to corporate social responsibility principles and its use of the world's best business practices.

Over the course of its operations, Metinvest Group has implemented several thousand community development projects, including initiatives to improve urban infrastructure and healthcare and education systems, cooperation with international donor organisations, and the introduction of modern formats of engagement with local communities, small and medium-sized businesses, and the municipal authorities.

METINVEST GROUP CEO
YURIY RYZHENKOV

"I am grateful to the global industry community for the recognition of our work at the highest level. In this difficult time for Ukraine, Metinvest Group remains true to its principles - we are focused on people, the environment and production efficiency. We have built a responsible business and clearly adhere to our values thanks to the coordinated work of the Metinvest team and its shareholders, which together focus on the Group's success, the development of our cities and the country as a whole"



CORPORATE GOVERNANCE

We are committed to having the Group's management bodies work as transparently and efficiently as possible. Metinvest Group's corporate governance system is built taking into account best practices.

Metinvest adheres to the following governance principles:

Specialisation

We focus on our core competency – the strategic management of the mining and steelmaking industry. This enhances the Group's effectiveness and investment appeal

Vertical integration

We manage every link of the value chain. This ensures stability and resilience to changing market conditions

Unified strategic management

We carry out the unified and consistent planning and management of all our assets. This enables us to achieve a stable increase in the Group's shareholder value

Centralisation

We manage the enterprises that are part of Metinvest Group in a centralised manner. This makes it possible to optimise management costs, unify business processes and technologies and increase overall business efficiency.

Growth and investment

We invest in development and introduce effective technologies in production and management. This helps us to successfully compete on global markets

Introduction of best practices

We study global experience and carefully select the most effective managerial, production and information technologies. This helps us to achieve maximum efficiency

Synthesis of tradition and innovation

We maintain the best traditions of metallurgical craftsmanship and professionalism while enriching them with the latest knowledge and technologies

Leadership

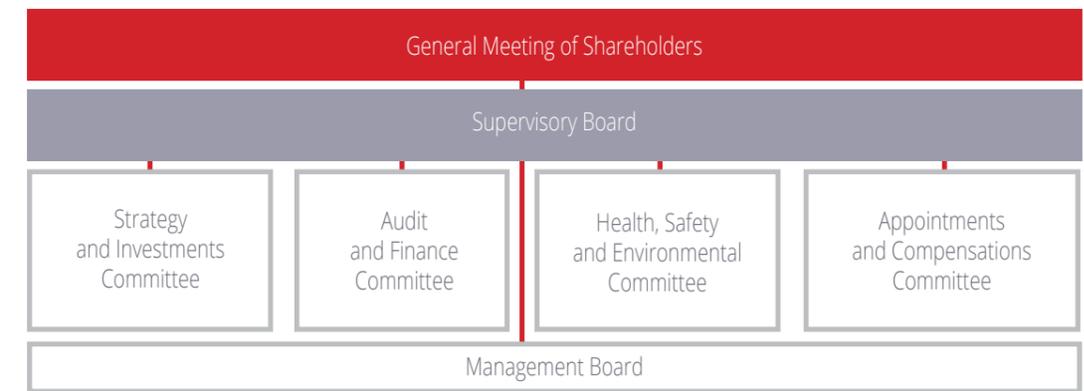
We are committed to continuous improvements in the work of Metinvest at all levels and in all areas of operations: the quality of management, productivity, product quality, cost control, working conditions, efficiency of business processes, and environmental protection. We always strive to obtain the best possible result

Personal approach

Our corporate culture is based on a personal, zealous attitude to the common cause

MANAGEMENT STRUCTURE OF METINVEST B.V.

Metinvest Group is comprised of the parent company Metinvest B.V. and other legal entities that Metinvest B.V. owns directly or indirectly. The management bodies of Metinvest B.V. include the General Meeting of Shareholders, the Supervisory Board and the Management Board. Metinvest’s management oversees the Group’s operations as well as the implementation of strategic decisions made by senior management bodies.



The Supervisory Board is comprised of 10 members: seven representatives of SCM and three representatives of SMART. The following changes were made to the Supervisory Board in 2017-18:

- Oleg Popov was appointed Chairman of the Supervisory Board starting from July 2018. He is also a member of the Strategy and Investments Committee and the Appointments and Compensations Committee.
- Mikhail Novinskii was appointed a Class B Member of the Supervisory Board starting from September 2017. He is also a member of the Strategy and Investments Committee and the Audit and Finance Committee.
- Johan Bastin was appointed a Class A Member of the Supervisory Board starting from August 2018. He is also a member of the Strategy and Investments Committee and the Audit and Finance Committee.
- Natalia Izosimova was appointed a Class A Member of the Supervisory Board starting from August 2018. She is also the chairwoman of the Appointments and Compensations Committee and the Health, Safety and Environmental Committee.
- Igor Syry and Amir Aisautov were relieved of their duties as Chairman of the Supervisory Board and member of the Supervisory Board, respectively.

MANAGEMENT BOARD

The Management Board consists of two Directors: Director A and the Chief Executive Officer (Yuriy Ryzhenkov) and Director B (ITPS (Netherlands) B.V.). Under Dutch law, the Management Board is responsible for the management of Metinvest B.V. Under the Articles of Association of Metinvest B.V., Metinvest B.V. may only be represented by the entire Management Board.

MEMBERS OF THE SUPERVISORY BOARD OF METINVEST B.V.



Oleg Popov
Chairman of the Supervisory Board
and Class A Member of the Supervisory Board



Aleksey Pertin
Deputy Chairman of
the Supervisory Board and Class B
Member of the Supervisory Board



Damir Akhmetov
Class A Member of
the Supervisory Board



Mikhail Novinskii
Class B Member of
the Supervisory Board



Natalia Izosimova
Class A Member of
the Supervisory Board



Yaroslav Simonov
Class A Member of
the Supervisory Board



Stewart Pettifor
Class A Member of
the Supervisory Board



Chris Norval
Class A Member of
the Supervisory Board



Gregory Mason
Class B Member of
the Supervisory Board



Johan Bastin
Class A Member of
the Supervisory Board

METINVEST GROUP MANAGEMENT



Yuri Ryzhenkov
Chief Executive Officer



Olga Ovchinnikova
Economics and Business
System Director



Aleksander Pogozhev
Chief Operations Officer



Dmitry Nikolayenko
Sales Director



Alexey Gromakov
Logistics and Procurement
Director



Yulia Dankova
Chief Financial Officer



Svetlana Romanova
Chief Legal Officer



Aleksey Komlyk
Chief People Officer



Sergiy Detyuk
Chief Information Officer
and Acting Risk Analysis
and Management Director



Andriy Yemchenko
Chief Technical Officer



Oleg Shudra
Internal Audit Director

CHANGES TO THE GROUP'S ORGANISATIONAL STRUCTURE

In order to implement the updated strategic priorities and Technological Strategy 2030, new business units were created in 2018 – the Economics and Business Systems Directorate and the CEO's Project Office – as well as the position of Chief Technical Officer.

The Economics and Business Systems Directorate works on improving business processes that affect the Group's value in the future.

The main tasks of the CEO's Project Office are to develop and support the global business development strategy, manage projects involving the acquisition of new assets in a centralised manner and develop relations with the state authorities.

The Chief Technical Officer is responsible for implementing the Technological Strategy 2030, enhancing operational efficiency and developing the enterprises of Metinvest Group.

In 2018, the company completed the systemic transformation of the Metinvest IT service into Metinvest Digital as a separate enterprise. The company will focus on creating and introducing the best digital solutions for Metinvest Group and for the external market in the long term.

MONITORING THE EFFECTIVE WORK OF MANAGEMENT BODIES

The key channels for monitoring the activities of the company's management bodies are the annual general meetings of shareholders (for joint-stock companies) and the annual general meetings of participants (for limited liability companies). According to the company's constituent documents, the purview of general meetings also includes the review of reports from the executive body (general director of an enterprise) and the supervisory board of an enterprise based on annual results. The supervisory board is assigned a key role in the process of monitoring the activities of the executive body at Metinvest Group's enterprises.

RISK MANAGEMENT

The crisis events taking place around the world are mirrored in business in Ukraine and at Metinvest, in particular. Metinvest Group's current risk management system aims to forecast, identify and assess risks that may affect the Group's operations in the short and long term, as well as the implementation of its strategic goals.

Metinvest's risk management system encompasses all risk groups, including financial and non-financial risks that impact the Group's business. The list of key risks and their management strategy is incorporated into Metinvest's annual business plan. Responsibility for risks and managing them is distributed between the relevant directorates of Metinvest Group and takes place in accordance with the established requirements and procedures.



INTRODUCTION OF THE SAP PROGRAMME

We continued to introduce modern IT solutions in 2017-18. Utilising SAP products, Metinvest Group is automating the management of human resources, procurement, production chains, finances and other business processes. This enhances their transparency and efficiency and facilitates the management of a large company as a whole.

In early December 2017, the Group became the first in Ukraine to undergo an international audit of its IT processes and received an Advanced level certificate from the SAP Customer Centre of Expertise.

In 2018, Metinvest completed the transfer of the SAP system to the cloud platform and became the first Ukrainian user of the SAP HANA Enterprise Cloud (SAP HEC). SAP HEC technology reduces IT structural costs, speeds up the processing of large data arrays and enhances the level of service security. The reliable platform and applications support our operational work and serve as a basis for future innovative projects.

Gold winner at the SAP Quality Awards 2018

Metinvest does not limit itself to automating processes through standard SAP applications. We have offered our solutions for the planning of the technological chain – from coal supplies and coke production to cast iron production. The result has enabled us to save resources and gain recognition in Europe.

Coal charge planning is traditionally done manually and can take several weeks. Metinvest has decided to move away from laborious manual work with huge data sets in Excel by automating planning procedures in SAP. During the implementation of the 'Coal-Coke-Cast Iron' end-to-end planning project, we developed a unique mathematical model and introduced it in the SAP platform. This has helped to reduce the cost of coal charge, improve the quality of coke and reduce the cost of cast iron.

In April 2018, the 'Coal-Coke-Cast Iron' project won gold at the SAP Quality Awards international contest as the most innovative company in Central and Eastern Europe. Metinvest became the first Ukrainian gold medallist in the history of the contest.

**DIRECTOR OF METINVEST GROUP'S
BUSINESS PROCESS TRANSFORMATION DEPARTMENT
KIRILL MAKAROV**

"After winning the contest, we had a line of competing companies that want to see how the system works. We have already held meetings with six foreign companies. People at SAP, competitors and industry leaders know about us"

TRANSPARENCY AND ACCOUNTABILITY

Metinvest employs policies and procedures that ensure transparency, accountability and anti-corruption in the Group's activities.

Code of Ethics	Identifies the main standards of Metinvest's corporate culture and business principles
Anti-Money Laundering/ Countering the Financing of Terrorism Policy	Monitors business operations and prevents transactions with sanctioned companies or companies involved in corrupt practices
Conflict of Interest Policy	Aims to minimise the risk of people using their official position for personal purposes, to lobby the interests of related parties and companies or for the career advancement of family members



25,000+ employees trained on and ~18,000 contractors informed about the Group's principles and Code of Ethics in 2017-18

CORPORATE ETHICS

Metinvest Group's Code of Ethics establishes core ethical and business standards, including in anti-corruption, to which all employees should adhere. The principles of the Code are communicated to staff through the personal example of leadership, ongoing training and communication campaigns that aim to promote the Code of Ethics.

HUMAN RIGHTS

We ensure the protection and observance of human rights at Metinvest enterprises by providing safe working conditions and equal opportunities for all employees and rejecting discrimination based on any grounds.

The ability to submit queries via SCM Group's confidential hotline is one of the methods we use to monitor the observance of human rights. The confidential hotline ensures the anonymity of callers if they wish. An investigation is launched into each query and feedback is provided within a set timeframe.

The number of calls to the confidential hotline has increased each year. In 2018, 722 queries were recorded versus 484 a year earlier. This trend reflects the confidence of the Group's employees in the hotline as well as the lack of fear of persecution for providing information.



COMPLIANCE PROGRAMME AND ANTI-CORRUPTION

Many of the countries where we operate have adopted anti-corruption laws that seek to prevent companies and individuals from gaining undeserved benefits. Metinvest strictly follows these laws in its daily operations.

We do not offer or take bribes, and we do not promote corruption. Metinvest is committed to working with counterparties and business partners whose reputation is not associated with corruption and bribery. For this purpose, the Group's Code of Ethics specifies the rules that all employees must follow.

We have employed the Compliance Programme since 2014. Its goal is to ensure transparency, effectively fight corruption and combat abuse in the workplace.

To implement the programme, Metinvest enterprises employ compliance coordinators from among their legal officers. The Ethics Committee, whose members include Metinvest Group's CEO and department directors, monitors the implementation of the Compliance Programme on a quarterly basis, including an assessment of the approach to anti-corruption issues.

The Committee reviews appeals received via the confidential hotline, conflicts of interest and cases involving corruption. If a violation of the principles of the Code of Ethics is confirmed, the Committee takes decisions on disciplinary measures, analyses potential areas of compliance risks and discusses preventive measures.

Results of the Compliance Programme in 2017-18:

- an electronic system was developed to declare a conflict of interest
- managers of the Group's enterprises tested employees' knowledge of the principles of the Code of Ethics
- procurements were audited for fraud and corruption risks
- a list of positions that are prone to fraud and corruption risks, and risk management measures associated with such positions were developed
- key criteria for restrictions on accepting and giving gifts were prepared and endorsed

We took steps in accordance with current legislation to address all verified instances of violations of our policies and procedures during the reporting period. In addition to internal corporate monitoring, external regulatory bodies regularly check Metinvest enterprises for compliance with legal requirements.

ANTIMONOPOLY COMPLIANCE

We comply with all competition laws in the countries where the Group operates. The requirements for fair competition are spelled out in Metinvest Group's Code of Ethics. The Metinvest Legal Service has set up a functional antimonopoly compliance unit and introduced procedures that allow for monitoring compliance with antimonopoly laws. In addition, lawyers responsible for antimonopoly issues not only manage their work in accordance with the requirements of the antimonopoly authorities, but also monitor the markets together with other departments and assess whether market power exists in relation to the Metinvest product portfolio. This reduces the likelihood of risks and their materiality. No fines and/or sanctions for anti-competitive behaviour were imposed on the Group during the reporting period.

PRODUCTS, CUSTOMERS AND SUPPLY CHAIN

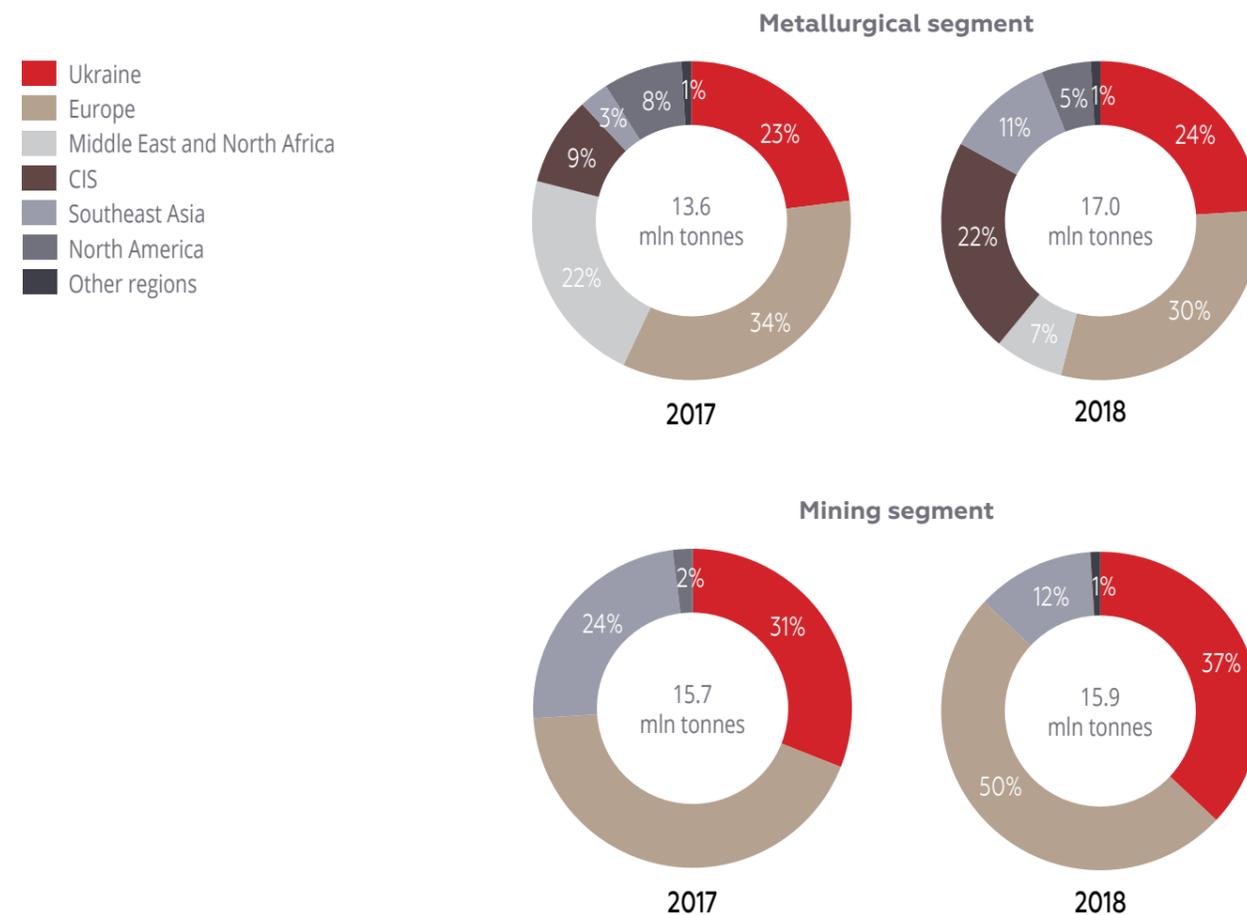
Metinvest Group controls the entire production chain – from the mining of ore and coal to the production of semi-finished products and finished products.

Metinvest is a leader in the industry thanks to its vertical integration and the favourable geographical location of its enterprises. According to the World Steel Association's global ranking, the Group is among the top ten iron ore mining companies and among the top 45 steel producers in the world.

Metinvest's product range consists of flat products (hot-rolled and cold-rolled sheet and coil as well as galvanised products), long products, shaped products, semi-finished products and iron ore raw materials.

Ukraine and Europe are the Group's main sales markets.

Metinvest Group's sales distribution by market



1700 MILL

Once the mill rebuilt, the quality of the roll will meet the highest global requirements: the roll weight will increase to 27 tonnes, the thickness tolerance will be tightened and the sheet geometry will improve

The phased modernisation of production facilities enables us to expand the product range and improve product quality each year. In 2017-18, Metinvest Group's metallurgical enterprises and the Zaporizhstal joint venture mastered the production of **101** new types of products:

- 45** – rolled products (hot-rolled, cold-rolled and galvanised rolled products)
- 51** – hot-rolled plate
 - 1** – large section
 - 2** – electric-welded pipes
 - 2** – semi-finished products

In 2017, Metinvest Group began implementing the updated Technological Strategy 2030 with a focus on rolled products. The phased modernisation of the main production units was planned out to implement the strategy.

The launch of the new slab continuous casting machine no. 4 at Ilyich Steel was a milestone that enabled the Group to enter the premium segment of the slab market and provide high-quality semi-finished products for the production of hot-rolled coils at the 1700 hot strip mill.

The next stage of modernisation is the reconstruction of the 1700 mill itself. The workshop will be almost entirely renovated with equipment and technologies from Primetals Technologies Austria. This will expand the size and brand range of products.

Coated products are a promising segment for Metinvest. In an effort to develop this segment, the company acquired a controlling stake in galvanised steel producer Unisteel (Kryvyi Rih) in September 2018. Metinvest's product range was enhanced with galvanised steel with a thickness of 0.4-2.0 mm and a zinc coating of 60-350 g/sq. m.

Metinvest remains the largest supplier of iron ore raw materials for steel mills in the world.

The Group's products are used in construction, shipbuilding, railcar and machine building, thermal and wind energy, mining and the construction of bridges and roads.

Confinement for the Chernobyl Nuclear Power Plant

The new safe confinement, or 'Shelter 2,' is an insulating arched structure that covers the fourth power unit of the Chernobyl Nuclear Power Plant that was destroyed in the 1986 accident. It took nine years to build.

Metinvest Group specialists developed and supplied special steel for the structure. A total of 2,000 tonnes of Azovstal sheets and 13,300 tonnes of Metinvest Trametel products were used in the construction of Shelter 2.

The structure, which was commissioned in July 2019, will contain radioactive materials and protect the original Shelter from external weather conditions. Going forward, this will make it possible to start dismantling the fourth power unit of the Chernobyl Nuclear Power Plant.

HEAD OF THE PRODUCTION ENGINEERING OFFICE
AT THE AZOVSTAL CONVERTER SHOP
SERGEY FROLOV

"Active work on the project's implementation began in 2004. Forty donor countries joined the process. After the final drafting and approval of the design documentation in 2012, installation work began at the site. That's when the Azovstal specialists got involved in the project"



New confinement the fourth reactor of the Chernobyl Nuclear Power Plant in Ukraine
15,000 tonnes of Metinvest's steel plates



The Shed in New York (Hudson Yards)
9,000 tonnes of Metinvest's steel plates



MSC Seaside cruise ship
23,000 tonnes of Metinvest's shipbuilding steel

LOGISTICS AND DISTRIBUTION

Metinvest sells products through its own distribution network, which encompasses 100 countries and supports more than 10,000 customers. The network includes 42 sales offices and 37 metal service centres in Europe, Asia, Africa and North America.



Sales offices

- | | | |
|------------------------|-------------------------|------------------------|
| 1. China | 8. Bulgaria (3 offices) | 15. Belgium |
| 2. UAE | 9. Romania | 16. Spain |
| 3. Russia (11 offices) | 10. Poland | 17. United Kingdom |
| 4. Lebanon | 11. Italy (3 offices) | 18. Dominican Republic |
| 5. Turkey | 12. Germany (2 offices) | 19. Canada |
| 6. Ukraine (8 offices) | 13. Switzerland | 20. Singapore |
| 7. Belarus | 14. Tunisia | |

Metinvest Group's main logistics task is to ensure the uninterrupted delivery of raw materials and the timely delivery of products to customers. The logistics system has been negatively impacted by damage to transport infrastructure due to the conflict in Donbas, as well as changes in logistics routes throughout Ukraine. Moreover, as a result of the worsening situation with the turnaround time of railcars in Ukraine and periodic congestion due to the operational problems of Ukrainian Railways, there was a shortage of railway rolling stock for the delivery of raw materials and the shipment of finished products in the reporting period.

In order to address the shortage of rolling stock, Metinvest Group invested US\$70 million in the purchase of 1,800 rail wagons. The Metinvest-Shipping company's rolling stock fleet almost doubled to around 4,200 units in 2018. Now the company's own rolling stock accounts for approximately 20-25% of Metinvest's logistics needs.

CUSTOMER RELATIONS

Providing quality service to our customers is one of Metinvest's top priorities. In 2018, the company launched the MiClient comprehensive sales transformation programme in which all Metinvest services are centred around the customer. The goal of the programme is to develop and improve customer service through the standardisation and automation of all the main processes for interacting with existing and potential customers, as well as to increase the speed of deliveries and optimise logistics.

In addition, the company launched the key account management programme for work with core customers in 2018. The programme aims to create conditions that enable the Group to develop relations with key customers and generate long-term economic benefits from working with them.

Customer focus in action

In its work with the major shipbuilding company Fincantieri (Italy), Metinvest specialists learned that Fincantieri is interested in outsourcing core operations: shot blasting and metal priming. Metinvest has invested more than US\$2 million in the installation of a new shot blasting line at Trametal rolling mill (Italy). As a result, we offered to provide the client with the necessary additional services and deliver a finished product that does not require further processing.

SALES DIRECTOR FOR METINVEST WESTERN EUROPE
ROBERTO RE

"Metinvest's business model is built on long-term relationships with end users. When working with customers, the key factor for us is product quality, not volume"

CRM

As part of the customer relationship management (CRM) implementation, 21 initiatives have been identified in three functional areas: sales, customer service and marketing



52 technical visits were made to customers and 20 customer visits were arranged to the Group's enterprises in 2017-18

Metinvest provides technical support to customers in the form of production visits. The purpose of such meetings is for Metinvest Group's technical services to directly interact with customers. Technical support helps to optimise production technologies, improve product quality, obtain data to forecast investments and satisfy customer demand.

Based on the results of the meetings, we revised the method used to oil cold-rolled coil at Ilyich Steel and modified the system for monitoring thick sheet flatness at Azovstal. Packaging systems for cold-rolled coil were reinforced at the Zaporizhstal joint venture.

Metinvest Group standardised the process for handling customer complaints. The complaint handling procedure was drafted and unified in 2017-18. A complaint from a customer goes to the trading organisation and is transmitted to the unit in charge of working with complaints and providing technical support. Working with enterprises and specialised units, the person responsible for handling a complaint looks into the situation from a technical standpoint and forwards it to the complaint committee. Based on an analysis, the Sales Directorate adopts a decision on the commercial settlement of the complaint.

TRANSPARENT PROCUREMENT MANAGEMENT

The primary focus of Metinvest Group's procurement strategy is to create and maintain a healthy competitive environment. Metinvest's procurement activities are centralised and handled by the Procurement and Logistics Directorate. This is how 80% of all materials, equipment and services consumed by the Group are acquired.

Procurements are carried out using the Unified Calendar, which is posted on the Metinvest website, and have also been conducted using the SAP Ariba electronic platform starting from 2018. This process complies with international standards and helps to enhance the transparency of the competitive environment and combat corruption.

New SAP Ariba procurement platform

In 2018, Metinvest Group began operating SAP Ariba global electronic trading system, which is used in 190 countries. The system allows for conducting centralised tenders and fast auctions, promptly comparing suppliers' offers, managing the procurement process, attracting new suppliers, and tentatively evaluating their qualifications.

The procurement process at Metinvest Group has thus become even more transparent and effective, and the number of suppliers from around the world that take part in tenders has increased.

STAKEHOLDER ENGAGEMENT

Metinvest Group's activities impact a wide range of stakeholders. We are aware of our responsibility to them and we strive to engage in an open dialogue with all stakeholders in order to solve environmental, social and economic issues together. Effective engagement with stakeholders helps us to understand their expectations, avoid misunderstandings, obtain feedback and establish long-term cooperation. Metinvest informs stakeholders about all its activities through all external communication channels, including digital channels.



SAP Ariba has been used to carry out 170 procurements with a total economic effect of around US\$800,000

KEY STAKEHOLDERS OF METINVEST GROUP

Stakeholder	Key expectations and interests of stakeholders	Metinvest's stakeholder engagement mechanisms
Government authorities	<ul style="list-style-type: none"> – expert assistance in reform issues – understanding by business of social responsibility and contribution to the country's development – payment of taxes and the creation of reliable jobs – transparency and openness 	<ul style="list-style-type: none"> – direct communication – communication using public meeting platforms
Investors and creditors	<ul style="list-style-type: none"> – servicing of Metinvest Group's debt obligations – compliance with conditions and requirements established by debt instruments – receipt of regular production, financial and non-financial information about the Group's activities – maintenance of Metinvest Group's corporate credit ratings from the international rating agencies S&P, Moody's and Fitch 	<ul style="list-style-type: none"> – regular public production, financial and non-financial reporting – providing information on Metinvest Group's corporate website – participation in conferences for investors – arranging meetings with Metinvest Group's senior management
Staff	<ul style="list-style-type: none"> – fair wages – workplace safety – respect for human rights – social security – opportunities for professional development 	<ul style="list-style-type: none"> – dialogue between the Group's management and staff – corporate media and other internal communication channels, including electronic channels – opinion polls – staff training programmes
Media	<ul style="list-style-type: none"> – provision of timely, accurate and high-quality information to ensure the principles of transparency and openness when doing business 	<ul style="list-style-type: none"> – organisation of specialised events for the media, including thematic press tours, roundtables and conferences – provision of information about Metinvest in response to direct media inquiries – public reporting by the Group
Customers	<ul style="list-style-type: none"> – high-quality products – minimum delivery times – effective system for responding to questions concerning products 	<ul style="list-style-type: none"> – direct communication – customer events – production visits – participation in industry exhibitions

Environmental organisations	<ul style="list-style-type: none"> – minimal environmental impact – compliance with national and European emission standards – openness, transparency and accountability – partnership in the implementation of joint projects 	<ul style="list-style-type: none"> – systematic cooperation with environmental organisations in Mariupol, Zaporizhia and Kryvyi Rih – organising and conducting research – support for public environmental initiatives – work to create continuous monitoring systems for environmental indicators – meetings between management and public organisations – organisation of open hearings when implementing environmental projects – public reporting by Metinvest Group
Scientific and expert community	<ul style="list-style-type: none"> – development of scientific and technical cooperation – introduction of innovations 	<ul style="list-style-type: none"> – implementation of joint projects – engagement with the scientific and expert community – partnership with educational institutions as part of the training of future staff – participation in conferences, forums and meetings
Local communities	<ul style="list-style-type: none"> – creation and preservation of jobs at the Group's regional enterprises – payment of taxes to budgets of all levels – openness and publicity – improvements in the environmental situation in the regions where the business operates – safe working conditions and the provision of personal protective equipment to workers – improvements in the regional quality of life – enhanced regional investment appeal – social partnership 	<ul style="list-style-type: none"> – social partnership programmes to improve quality of life – implementation of environmental projects, environmental modernisation and support for public environmental initiatives – implementation and improvement of occupational and industrial safety standards – implementation of large-scale investment projects and the engagement of major credit institutions
Public organisations	<ul style="list-style-type: none"> – systematic cooperation with regional public organisations 	<ul style="list-style-type: none"> – cooperation and implementation of joint projects – direct communication and using public meeting platforms

GOVERNMENT RELATIONS

We are actively involved in the discussion of government initiatives, bills and draft regulations related to the activities of the mining and metallurgical industry. Representatives of Metinvest Group take part in hearings at committees of the Verkhovna Rada of Ukraine, events of the European Business Association and the American Chamber of Commerce in Ukraine, as well as various working groups and meetings.

This collaboration has resulted in a balanced relationship with the government and the overall industry, as well as an understanding and acceptance of Metinvest's social responsibility.



DIALOGUE WITH LOCAL COMMUNITIES

Representatives of local communities and Metinvest leaders have a tradition of discussing environmental and social issues. The Group's senior management holds open meetings with representatives of the public at least once a year in the main regions where the company operates. Executives answer questions that residents are concerned about at these meetings and discuss the status of the fulfilment of Metinvest's public obligations.

In addition, our representatives regularly take part in meetings of working groups at the executive committees of city councils and regional state administrations. This approach makes it possible to directly convey relevant information about Metinvest's environmental and social activities to stakeholders, obtain feedback and respond quickly.

PARTICIPATION IN ASSOCIATIONS AND UNIONS

Metinvest is a permanent member of the World Steel Association and the UN Global Compact. We regularly participate in the work of the World Steel Association's committees on occupational safety, human resources, environmental protection and corporate social responsibility. Metinvest is also a member of the European Business Association, the American Chamber of Commerce in Ukraine, the Centre for Corporate Social Responsibility and the HR Forum Association.

In July 2019, our parent company Metinvest B.V. became a member of the Association of the Dutch Metallurgical Industry (VNMI). The VNMI unites more than 80% of the Dutch steel industry. The association focuses on four areas: health and safety, energy and climate, sustainability and corporate social responsibility, as well as trade and innovation.

**METINVEST GROUP CEO
YURIY RYZHENKOV**

“Europe is a key market for Metinvest. Four of our rolling plants operate there. We sell more than a third of our products in European countries. Joining the VNMI is evidence that the Group is operating in accordance with the best European business standards. Membership in the association will enable us to exchange experience with other market players, as well as to participate in the drafting of new rules and requirements for metallurgy in EU countries”

Since 2017, we have been participating in a joint project run by the World Bank and the Ukrainian Ministry of Ecology and Natural Resources that aims to create a national greenhouse gas emissions trading system. Several of the Group’s enterprises (Central GOK, Zaporizhia Coke and the Zaporizhstal joint venture) have been included in the project as pilot sites for the development of mechanisms to monitor, record and verify greenhouse gas emissions with the subsequent enshrinement of the established practices in national legislation.

In October 2018, Metinvest Group joined the Association of Industrial Automation of Ukraine to develop innovations and support the Industry 4.0 national programme and initiative. The Association was established in 2011 and represents the interests of the Ukrainian community of industrial automation enterprises.

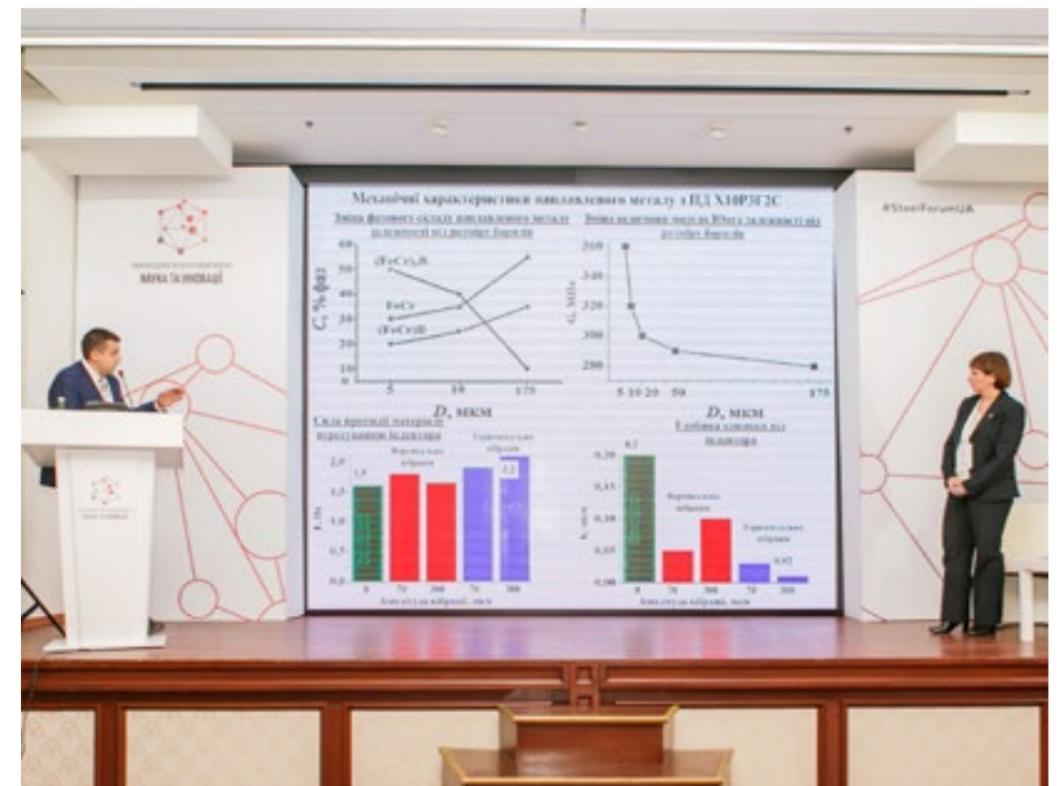
‘Science and Innovation’ Metallurgical Forum

We are committed to engaging in dialogue with as many stakeholders as possible and regularly initiate the establishment of communication platforms. In October 2017, Metinvest and the Ukrainian National Academy of Sciences organised the ‘Science and Innovation’ International Metallurgical Forum.

The forum brought together representatives of the Ministry of Education and Science, the Ministry of Social Policy, representatives and heads of higher education institutions, academics from the Ukrainian National Academy of Sciences, heads of research institutes, the Ukrmetallurgprom association of enterprises, the World Steel Association and metallurgical enterprises to discuss current problems facing the Ukrainian metallurgy industry.

**METINVEST GROUP CEO
YURIY RYZHENKOV**

“Together, we will show everyone that Ukrainian metallurgy and science have a beautiful past, a stable present and a great future”



Investing in ecology

KEY EVENTS IN 2017–18

In 2017, the major overhaul started of Azovstal's blast furnace no. 3

In 2017-18, Inkor & Co, Metinvest-KMPR and the associated company Zaporozhzhneupor received certification of compliance with the ISO 50001 international standard

In 2018, Metinvest invested US\$92 mln into environmental projects, the highest amount in the past seven years

In 2018, the first phase was complete of the environmental modernisation of Ilyich Steel's sinter plant

In 2018, the reconstruction of the sinter plant's gas cleaning facilities at Zaporizhstal JV was completed

All certified Metinvest Group enterprises adapted their environmental management systems to comply with the latest requirements of the ISO 14001:2015 international standard

OUR APPROACH

The management of the Group and its enterprises is fully aware of the impact that production has on the environment, which is why environmental protection is one of Metinvest's overriding priorities.

Our environmental impact management efforts are all based on the "Metinvest Group Policy and Principles in the Field of Health, Safety and the Environment". This document states that managers of all levels should be involved in environmental management.

Metinvest's Supervisory Board has a dedicated Health, Safety and Environmental Committee. The Committee meets quarterly to discuss key ecological issues and the pace of implementation of environmental programmes at the Group's production facilities.



Metinvest's strategic goal is modern, energy-efficient and environmentally friendly production, so we are gradually reducing pollutant emissions, modernising production and introducing new technology

Priority areas for Metinvest in 2017-18:

- reducing environmental impact
- introducing efficient, energy-saving technology
- achieving European environmental standards

The trend in environmental indicators in 2017-18 reflects a slight increase in the burden on the environment, which is tied to an upswing in Group's production volumes following the recent economic slump and loss of several production platforms. However, the environmental modernisation of our assets will allow us in the coming years to grow production volumes without increasing the levels of atmospheric emissions, waste output and water pollution.

In order to decrease the environmental impact and improve operational efficiency at our main production assets, we are modernising gas cleaning and dust removal equipment, as well as equipment for cleaning wastewater (including facilities for enrichment and granulation, sintering machines, blast furnaces, oxygen furnaces and rolling mills).



10

Metinvest assets confirmed the conformity of their environmental management systems with the requirements of ISO 14001:2015¹

TRANSITION TO AN UPDATED ENVIRONMENTAL MANAGEMENT STANDARD

Metinvest Group's environmental management system (EMS) operates according to the ISO 14001 international standard. Our key assets regularly verify the adherence of EMS standards to ISO 14001 through certification and audits.

In 2017-18, all of the certified assets successfully adapted their environmental management systems to the latest requirements of the standard established in 2015. The updated version of ISO 14001:2015 envisages the deeper integration of EMSs in the Group's business strategy increases the involvement of senior executives in managing the environmental impact and enhances interdepartmental cooperation.

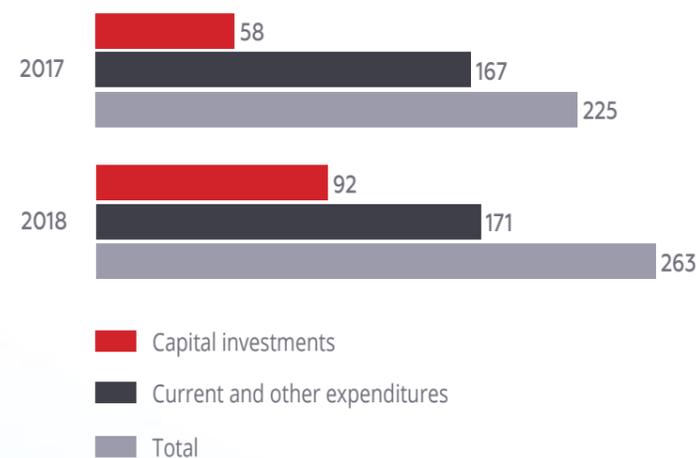
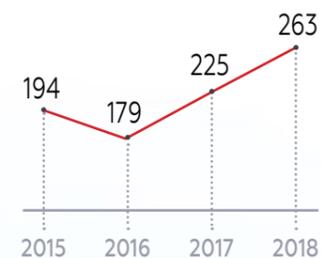
¹ Metinvest Group assets with ISO 14001:2015 certification in the reporting period: Azovstal, Ilyich Steel, Northern GOK, Central GOK, Ingulets GOK, Metinvest-M&R, Metinvest-Promservice, Metinvest Holding, Inkor & Co and Zaporizhia Coke

ECOLOGICAL MODERNISATION

In 2018, Metinvest's capital investments in environmental protection achieved a seven-year high of US\$92 mln. In total, in 2017-18, Metinvest Group's expenditure and investment in protecting the environment amounted to around US\$488 mln. The key projects were aimed at reducing emissions, increasing energy efficiency and conserving resources.

Total expenditure and investment of Metinvest Group on protecting the environment, US\$ mln

Metinvest Group spending on environmental protection measures, US\$ mln



IMPACT ON AIR QUALITY

For all primary sources of emissions (sinter and pelletisation plants, blast furnaces, converters and coke batteries), maximum permitted levels of pollutants have been set and recorded in the air emission permits.

Modernisation of blast furnaces at Azovstal

In 2017-18, 12 investment projects were at various stages of completion, designed to reduce the environmental burden at Mariupol.

In 2017, Azovstal began the major overhaul of blast furnace no. 3 at a cost of US\$145.6 million. After the work's completion, blast furnace no. 3 and blast furnace no. 4 will be among the most environmentally friendly and modern in both Ukraine and Europe.

AZOVSTAL GENERAL DIRECTOR ENVER TSKITISHVILI

"Today, we are continuing the ecological reconstruction of blast furnace no. 3. And we are beginning to prepare the foundation to be able to construct the new gas cleaning facility in one of the departments of the converter shop already in 2019, one year ahead of schedule. We are fulfilling the deadlines of the city's environmental protection programme. We are also seeking to accelerate the work as much as possible, where it is realistic to do so"

Total atmospheric emissions at Metinvest Group plants, '000 tonnes



US\$44.6 MLN

was spent to reconstruct Ilyich Steel's sintering plant in 2017-18

US\$134 MLN

invested by Metinvest in the project

Environmental projects at Ilyich Steel

In order to reduce the level of emissions at Mariupol, we have been engaged since 2012 in the largest environmental project in the history of independent Ukraine, the environmental reconstruction of Ilyich Steel's sinter plant at a cost of US\$150 million. The upgraded system for cleaning sinter gases will help to reduce emissions of dust up to 90% and sulphur oxides up to 42%.

By the end of 2018, six of the 12 sintering machines had undergone overhauls. By the end of 2020, all 12 sintering machines will be connected to new cleaning systems.

DIRECTOR OF ILYICH STEEL TARAS SHEVCHENKO:

"According to Ukrainian legislation, the permitted level of dust emissions today amounts to 50mg/m³. But with the new cleaning technology, we will have the ability to clean the gases to 25mg/m³. We are ready for the possible strengthening of environmental requirements governing production and want already to meet them now"

Also at Ilyich Steel, construction of the new continuous casting machine no. 4 has finished.

The machine's installation involved progressive technology for cleaning gas and the re-use of water for cooling equipment.

At the end of December 2018, the machine testing was started at the plant, and the new complex was officially launched in March 2019.

CONVERTER SHOP FOREMAN AT ILYICH STEEL DMYTRO CHERKEZ

"The new continuous casting machine at Ilyich Steel has no equivalent in Ukraine. It was developed using innovative technology and European environmental standards"



US\$47.7 MLN

invested in the gas cleaning facilities at the Zaporizhstal JV's sinter plant

Ecological modernisation of Zaporizhstal JV

In 2017, blast furnace no. 3 at the Zaporizhstal JV was modernised. Dust emissions are now in compliance with European requirements at 20mg/m³. More than US\$71.4 mln was invested in the project.

In 2018, the reconstruction was completed of the sinter plant's gas cleaning facilities. As a result, the dust content in the air was reduced to 30mg/m³, and sulphur to 400mg/m³, in accordance with both Ukrainian and European norms.



US\$428,000

invested by Metinvest in AEMSs

MONITORING AIR QUALITY

In 2017-18, automated environmental monitoring systems (AEMSs) were introduced at Metinvest's assets in Kryvyi Rih: Metinvest-KMPR, Central GOK, Northern GOK and Ingulets GOK. The AEMSs will continuously monitor the air at the plants and help to ensure a timely reaction if the permitted levels are exceeded.

The total investment of the Group in AEMSs was US\$428,000.

Now there is constant monitoring of weather factors and indicators for the atmospheric content of nitrogen dioxide, sulphur dioxide, carbon oxide and dust. Now the data from the AEMSs go to a special online resource accessible to the environmental protection services at the assets. The provision of public access to this information is being discussed with community members in Kryvyi Rih.

Total volume of water intake by Metinvest Group assets, mln m³



PROTECTING WATER RESOURCES

Metinvest's assets use water to enrich ore, as well as to cool equipment and finished products. Our water intake is regulated by permits issued by government bodies in accordance with the Water Code of Ukraine. The permits also establish requirements for the quality of discharged water. Wastewater discharge levels at the Group's overseas assets are negligible.

Our environmental policy contains requirements for the conservation and optimal use of water resources. In order to use water as rationally as possible, we are launching new projects to modernise wastewater treatment equipment, recycle water used in technological processes and reuse mining and wastewater. At the mining assets, water circulates in a closed cycle between tailings and plants.

Water sources used by Metinvest Group assets:

	Mining assets	Metallurgical assets
Surface water sources	Karachunovskoye Reservoir	Dnipro River, Sea of Azov, Kalmius River
Underground water sources	Wells	Wells
Public utilities and other enterprises	Public Utility "Krivbasvodokanal", State Industrial Enterprise "Kryvbaspromvodopostachannia"	Public Utility "Voda Donbasa", Public Utility "Vodokanal of the city of Zaporizhia", Novogrodsky Utility Plant, LLC State Industrial Enterprise "Kryvbaspromvodopostachannia", Ilyich Steel, Public Utility "Mariupol production department for waterpipe-sewage", JSC "Ukrainian railways", Zaporizhstal JV
Other sources	Quarry, mine and other wastewater, State Industrial Enterprise "Kryvbaspromvodopostachannia" (mine water from Svistunov ravine)	Own and communal wastewater, drainage water

In 2017-18, we overhauled the dredger and floating slurry pipeline on the sludge pond at Azovstal. This ensured the efficient work of the sludge pond in purifying wastewater that is discharged into the Sea of Azov. The cost of the repair project for Metinvest Group was US\$145,000.

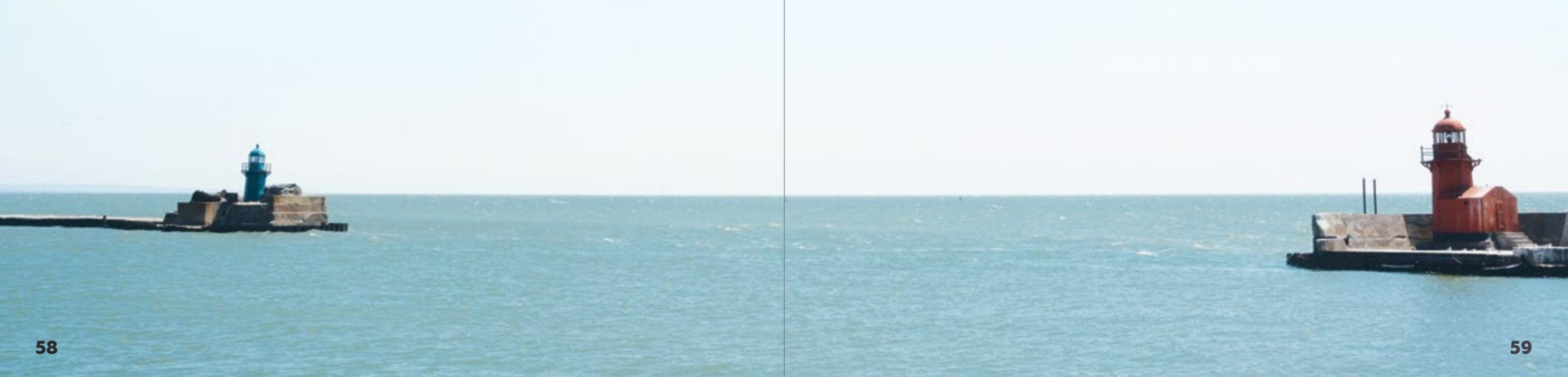
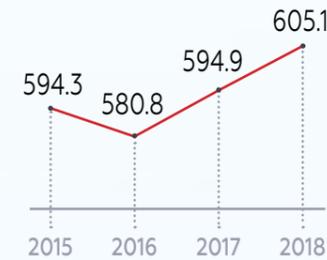
In order to reduce the intake of water from natural resources, comprehensive programmes are being implemented at the Zaporizhstal JV designed to recycle water through the creation of closed cycles. In 2018, a modern, five-section water cooling tower, made in Israel, was put into industrial use. It provides cooling water for the blast furnaces. The new equipment also helps to reduce annual electricity consumption by 1 mln kWh.

Construction was completed at the Zaporizhstal JV's facilities for recycling water used in the production process leaving the plant through output no. 2 (North) into the Dnipro River. Investment in the project was US\$2 mln.

Each year, Central GOK introduces measures to rehabilitate the riverbed of the Ingulets and improve water quality in the Karachunovsky reservoir. In 2017-18, the volume of technical water for flushing the Ingulets River amounted to 40,946.5 thousand m³.

In 2017, at Zaporizhia Coke, we cleaned the bed of the collection ditch of the landfill for industrial wastes from the facility to minimise the impact on the Dnipro River basin.

Total volume of wastewater discharge at Metinvest Group assets, mln m³





WASTE MANAGEMENT

Metallurgical and mining operations inherently create industrial wastes: overburden and tailing from enrichment, slag and sludge. These wastes are deposited in specially designated areas, such as mining allotments, slag and sludge ponds. In order to minimise the space occupied for storing waste and maintain the rational use of mining allotments, the overburden rocks at the mining assets are used each year to produce crushed stone as well as for the construction and repair of automobile and railway links at the mines.

The side products of metallurgical production are also recycled. Since 2004, Azovstal has used equipment from the US manufacturer AMCOM to re-process slag and extract metal-containing components (scrap). In 2017-18, 1,084 thousand tonnes of sludge were processed and 257,000 thousand tonnes of scrap were recovered. The use of scrap not only reduces the volume of waste in the slag collector, but also lowers our expenditure on raw iron ore.

Each year, the Zaporizhstal JV uses the entire volume of blast furnace slag created, and we make more than 1.5 mln tonnes of products out of it. Scrap is extracted from open-hearth slag and crushed stone is produced both for our own needs and for sale to external customers.

We pay attention not only to industrial waste, but also household waste. Metinvest's employees separate plastic, paper, glass and other types of waste. Special containers have been set up at our assets for this purpose and training is regularly held for employees, while contracts have been signed with outside organisations to collect the materials for recycling.

Total volume of waste created by Metinvest Group assets, mln tonnes



95%

of metallurgical sludges were recycled as raw material for sinter production at the Zaporizhstal JV in 2017-18



In 2018, the separation of household waste was introduced at Metinvest-M&R, and around seven tonnes of wastepaper, a half-tonne of PET bottles and 490 items of used office and household equipment were collected and sent off for recycling

LAND RECLAMATION

Central GOK continues to work on the technical reclamation of the spent capacity of quarry no. 2, which is being infilled with overburden rocks. In 2017-18, more than 10 mln tonnes of overburden were laid in the quarry. The volume of storage has been reduced and the arable land that might otherwise have been used to store the waste has been conserved. At other Metinvest Group assets, the amount of land that might be subject to reclamation is insignificant.

Prize from the state of West Virginia

Pocahontas Coal Company (PCC), one of the subsidiaries of United Coal Company, received The Surface Mine Reclamation Award for the successful conversion of a 30-year old coarse coal refuse facility to a slurry impoundment.

This conversion took intense preparation and planning to organise and follow through with the construction. The conversion from the existing coarse refuse facility to a slurry impoundment involved five separate fills, including the main Starter Dam, three smaller fills and one saddle dike to ultimately create a "diked" impoundment.

The work of PCC's team on the project was completed according to environmental standards as was recognised by the West Virginia Department of Environmental Protection, USA.



MAINTAINING BIODIVERSITY

Metinvest does not operate in protected natural areas. Nonetheless, we are implementing a series of initiatives with the goals of maintaining and renewing biodiversity.

Let's Save the Dnipro Together

The Zaporizhstal JV actively participates in projects to restore and protect the Dnipro River. Since 2012, the plant has been implementing the "Let's Save the Dnipro Together" project.

In 2017-18, around 25 tonnes of rubbish were collected as part of the project, more than 100 trees were planted and 29,000 fish were released.

VICE PRESIDENT OF THE ZAPORIZHIA REGION FEDERATION OF SPEARFISHING, DIVING AND FISHING
HENNADIY USHAKOV

"We have for the seventh year in a row, cleaned the river bottom and stocked the river with fish. It is good to know that a big business is not just standing by on the sidelines"

Results of the "Let's Save the Dnipro Together" project over seven years:



Development of the Vizirka wildlife sanctuary

In 2001, the Vizirka landscape wildlife preserve was founded on the initiative of Ingulets GOK. Its goal is the protection and renewal of natural landscapes, as well as the biological diversity of Kryvyi Rih. Today, the preserve operates with support from Ingulets GOK.

The land of the preserve is made up of depleted openpit mines, where an artificial mining lake landscape with a secondary ecosystem has formed. With the patronage of the plant, it was possible to carry out the biological reclamation of the land, significantly improve the condition of water bodies and increase soil fertility. The wildlife in the preserve has been replenished with more than 100 species, a portion of which are included in the Red books of Dnipropetrovsk region and Ukraine, as well as the European Red List.

On the initiative of Ingulets GOK, we developed recommendations for the development of the preserve and created a recreational zone at a third open-pit lake.

In 2018, 600 kilogrammes of grass carp fry were released into the third open-pit lake and 200 pheasants were brought to the preserve.

DOCTOR OF TECHNICAL SCIENCES AT THE INSTITUTE FOR ISSUES OF NATURAL RESOURCE USE AND ECOLOGY OF THE NATIONAL ACADEMY OF SCIENCES OF UKRAINE
OLEH SKRYPNYK

"Today, the preserve is on the list of Geological Heritage of Ukraine. It is very important to maintain the preserve in a good condition. We are glad that the cooperation of Ingulets GOK with ecologists in the city and region has brought benefit both to people and to nature"



DIALOGUE WITH THE COMMUNITY

Metinvest seeks to maintain an open dialogue with all stakeholders in order to jointly solve the most pressing ecological issues in the regions where it operates.

Two of our largest metallurgical plants are located in Mariupol. Understanding the burden on the city's environment, since 2014, Metinvest Group CEO Yuriy Ryzhenkov has conducted annual face-to-face meetings with ecologists and civil society in order to work together to find a pathway to improving the environmental situation.

In addition, in December 2017, we organised a meeting between the managers of the metallurgical plants and residents of Mariupol, at which current environmental problems were discussed along with the fulfilment of a programme aimed at protecting and rehabilitating the city's environment.

GENERAL DIRECTOR OF ILYICH STEEL
TARAS SHEVCHENKO



"We are solving a common challenge, maintaining a healthy atmosphere in the city. Solving problems efficiently is possible if we work together. Representatives of civil society help define the sequence and expediency of carrying out this or that measure"

In 2018, in Kryvyi Rih, we held two meetings with representatives of civil society regarding joint scientific research work in the area of ecology. In addition, in May 2018, at Metinvest's initiative, there was a retreat with civil society organisations of Kryvyi Rih to discuss the implementation of an automated system for environmental monitoring. Participants came to the village of Myrivske, where Central GOK's monitoring posts are located and saw how measurements are taken, discussed how the devices work and where the equipment is deployed.

MEETING PARTICIPANT, MEMBER OF THE SOCIAL UNION
ENVIRONMENTAL COMMITTEE OF KRYVYI RIH
YEVHEN VASYLENKO

"The installation of environmental monitoring posts is one of the points of the City Environmental Programme. This is an area that is rather global from the point of view of work, and from the point of view of investment, and in terms of the scientific aspect. It is very good that we are already no longer at the stage of mere words but the fulfilment of the programme"

At the end of 2017, a roundtable was held in Zaporizhia to cover the theme "Environmental Aspects of Steelmaking". Participants discussed the implementation of the project for the reconstruction of the converter department at the Zaporizhstal JV. Plant managers took part in the dialogue, along with leading Ukrainian ecologists, international experts, representatives of scientific research institutions and civil society organisations.

CHAIRWOMAN OF THE ALL-UKRAINIAN
ECOLOGICAL LEAGUE SOCIAL ORGANISATION
TETIANA TYMOCHKO



"We view positively the fact that the management of Zaporizhstal has taken the path of openness and makes available environmental documents. And it is a positive precedent. We will now look to achieve that such measures will be undertaken in all large cities where there are metallurgical enterprises"

MEMBERSHIP ON THE ENVIRONMENT COMMITTEE OF THE WORLD STEEL ASSOCIATION

Since 2012, representatives from Metinvest have been permanent members of the Environment Committee of the World Steel Association. The committee oversees the development of strategies, programmes and projects that help participants to meet their requirements in the area of the environment and climate change. The committee serves as a forum for the exchange of information and comparative analysis in all areas of the environment, encompassing both political and technological aspects.

WORK ON ENVIRONMENTAL ISSUES

Working with stakeholders on environmental issues helps us to establish priorities and plan investments in the environment. Stakeholder communications are a vital source of information. In order to react to them within the context of the system for environmental management at Metinvest Group assets, there are procedures according to which all communications are reviewed at regular meetings of environmental protection committees at the asset level.

To communicate questions about the environment there is a direct feedback channel, the confidential hotline maintained by SCM Group. Each communication is registered in a unified system of incident management. After registration, the communication is processed in accordance with the rules of inter-corporate audits at Metinvest.

PARTICIPATION IN ECOLOGICAL EVENTS

Metinvest actively takes part in ecological events in order to exchange experience, become familiar with the latest trends and also develop partnerships in the area of environmental protection. In 2018, Metinvest took part in the Sustainability Marathon organised by Deloitte Ukraine and dedicated to the United Nations Sustainable Development Goals.

Representatives of the environmental teams participate in the Green Mind ecological forum, which has been held annually in Kyiv since 2012 as part of the Innovation Market international forum. At the forum, colleagues exchange experience about efficient resource use and cleaner technological production, and also discuss how to improve the quality and security of production in all sectors of the economy.

**HEAD OF THE ENVIRONMENTAL MANAGEMENT DEPARTMENT OF METINVEST GROUP
VLADYSLAV VARNAVSKYI**

“We, as regular participants at this forum have watched with pleasure its growth and development, the expansion of its auditorium and the range of issues which it encompasses. Such events stimulate an ever-greater number of companies to invest in environmental protection measures”

**PRESIDENT OF THE UKRAINIAN PUBLIC ORGANISATION “ZHIVA PLANETA”
SVITLANA BERZINA**

“Metinvest demonstrates a systematic approach to implementing projects aimed at improving the environment. Each year, the amount of investment in green modernisation grows”



VISITS BY FOREIGN GUESTS

We work regularly with the international community on environmental issues and often receive international delegations to share experience. Both environmental experts and representatives of government bodies visit Metinvest Group assets. In 2017, with the goal of monitoring the environmental situation in the Donbas, members of the European Parliament visited Avdiivka Coke.



**EXTRAORDINARY AND PLENIPOTENTIARY
AMBASSADOR OF SLOVENIA TO UKRAINE
NATASHA PRAKH**

“We read a lot about and observed what was happening with Avdiivka Coke when it was fired upon. I want to thank the managers of the plant and its employees for explaining the situation in detail. It is evident what colossal work was invested in order that the factory function. And all of the environmental risks that could arise, were controlled”

In 2018, as part of the World Bank project “Partnership for Market Readiness in Ukraine”, a series of meetings were held at Central GOK with experts in the area of environmental protection from German companies TÜV NORD CERT and Verico SCE, as well as Norway’s Carbon Limits.

Foreign guests also regularly visit the Zaporizhstal JV. In October 2017, the Extraordinary and Plenipotentiary Ambassador of Germany to Ukraine Hermine Poppeller visited the plant. She spent time during her visit learning about the project for the ecological reconstruction of blast furnace no. 3, which involved leading European companies: Danieli Corus, Leica Geosystems, Mammoet and others.



**EXTRAORDINARY AND PLENIPOTENTIARY
AMBASSADOR OF AUSTRIA TO UKRAINE
HERMINE POPPELLER**

“I already visited the plant two years ago. Therefore I can compare the Zaporizhstal I visited in 2015 with the enterprise we see today. Progress was evident at the plant, especially in the area of environmental modernisation. The development of such enterprises as Zaporizhstal is an indicator of the development of the whole country”

ENERGY EFFICIENCY AND RESOURCE MANAGEMENT

Metinvest continues to reduce the energy consumption of its production and cut the consumption of natural resources. With this goal, we are introducing a systematic approach at our assets to saving energy and increasing energy efficiency.

Metinvest Group’s system for managing energy efficiency

Technological measures:

- managing the quality of raw materials
- technological optimisation
- process automation

Technical measures:

- repair of equipment
- modernisation and replacing inefficient equipment
- development of accounting systems

Operational measures:

- development of differentiated standards and analysis of deviations
- optimisation of technical modes and equipment work
- introduction of ISO 50001 and regular audits

ENERGY MANAGEMENT SYSTEM DEVELOPMENT

Since 2012, we have been implementing energy efficiency management in accordance with the ISO 50001:2011 international standard.

In 2017-18, Inkor & Co, Metinvest-KMPR and the Zaporizhstal JV underwent ISO 50001 certification. At the end of 2018, nine Metinvest Group assets were certified according to the requirements of ISO 50001:2011².

In May 2018, the Zaporizhstal JV successfully passed the second oversight audit of its energy management system. Experts from Technical and Management Services LLC, a corporate partner of TÜV SÜD, audited the asset.

In connection with the transition to the new version of ISO 50001:2018, we began to train employees on the updated requirements. Thus, 45 employees from Metinvest Group who are responsible for energy management systems underwent training.

ENERGY MANAGEMENT AUDITS

In order to evaluate the efficacy of work to reduce the energy consumption of production, as well as energy efficiency and resource conservation, we regularly conduct internal audits of energy management systems. The results of audits help managers to take decisions regarding the management of energy resources and set goals for the next period.

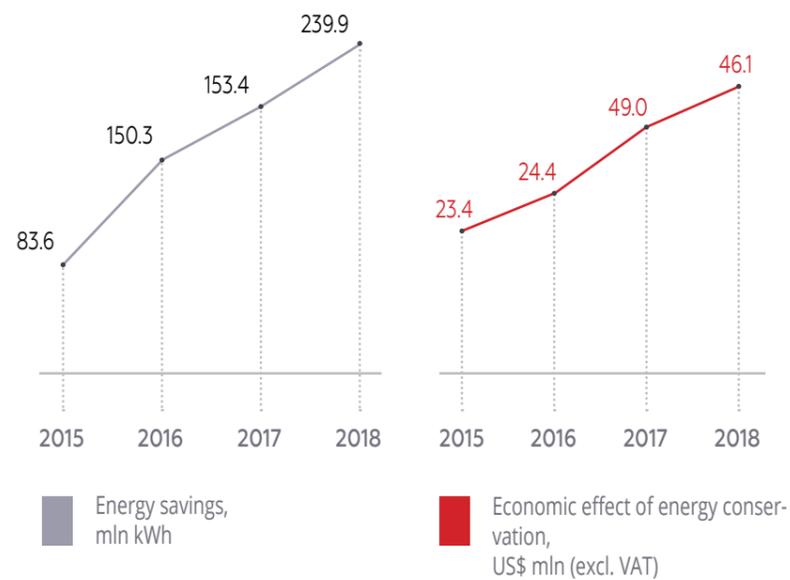
² Metinvest Group assets with ISO 14001:2015 certification in the reporting period: Azovstal, Ilyich Steel, Northern GOK, Central GOK, Ingulets GOK, Metinvest-M&R, Metinvest-Promservice, Metinvest Holding, Inkor & Co and Zaporizhia Coke

ELECTRICAL POWER WITHOUT INTERMEDIARIES

In 2017, the Zaporizhstal JV transitioned to direct purchasing of electrical power from State Enterprise "Energoynok". This allowed the asset to reduce the price of energy purchased. For the implementation of the project, the plant joined the wholesale electricity market of Ukraine and also organised data collection and preparation of daily reporting. Zaporizhstal invested US\$3,800 in the transition and the annual economic effect was US\$2.9 mln.

TRANSITION TO ENERGY SERVICE

In 2018, Metinvest Group and DTEK ESCO began the joint implementation of projects to economise on energy resources. A new financing mechanism was launched for this: DTEK ESCO invests its own funds and implements turn-key energy efficiency projects for Metinvest under conditions of energy service, guaranteeing a reduction in energy resource consumption. According to the energy service contract, Metinvest pays for the services provided by means of economies achieved. Such a mechanism allows for more efficient spending on the modernisation of assets



US\$1.1 MLN

per year— estimated effect from implementation of five projects according to energy service contracts in 2017-18

First project under contract energy service

Even before the launch of permanent cooperation, in March 2018, Metinvest and DTEK ESCO successfully carried out their first project as partners. Some 12 frequency converters made by Swiss company ABB, which automatically regulate pump motors, were installed. Due to this innovation, in just the first year, the cost of powering pumps was reduced by 52.3% and we saved 3.4 kWh of energy, the equivalent of more than 3,000 tonnes of CO₂ emissions. Expenditures at the plant were reduced by US\$206,700 annually.

HEAD OF THE DEPARTMENT FOR ENERGY MANAGEMENT OF CENTRAL GOK, MAXIM STRELETS

"A frequency converter is a robot that can replace a human with the application of smart technology to regulate the work of pumps automatically. Sensors prompt the robot when to increase or reduce the rotation of the electrical motor of the pump in response to the load of the production line. And during the year this robot never once got tired, despite a harsh winter and sudden, cold spring"



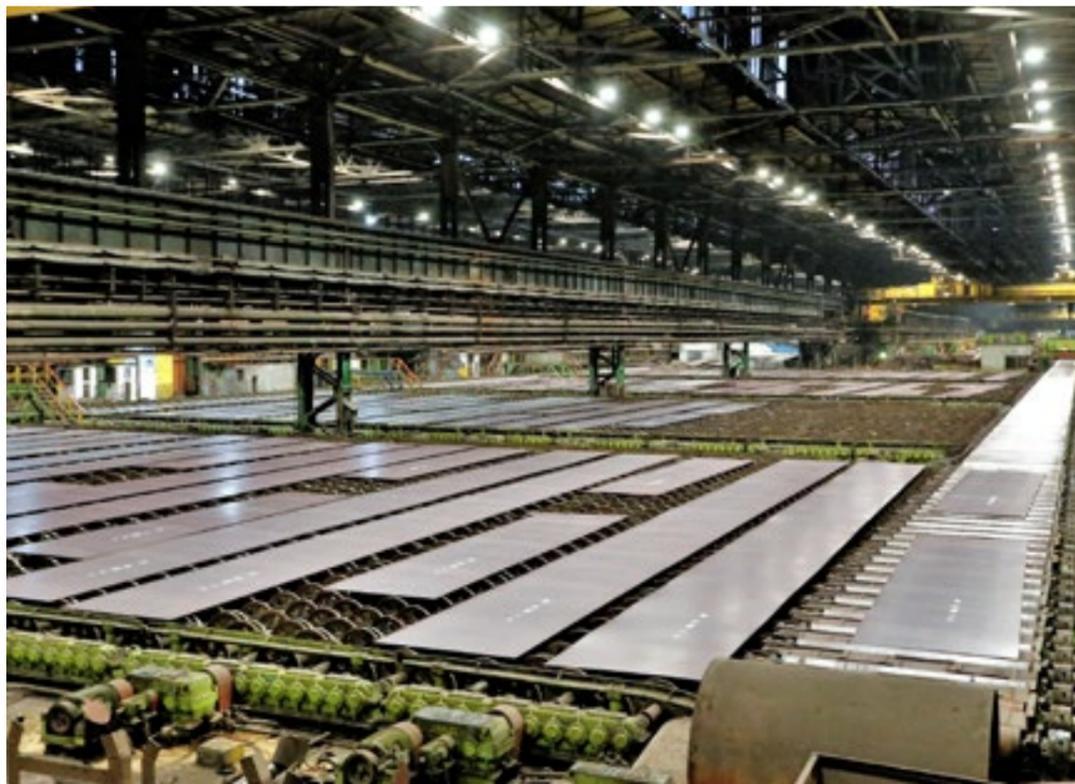
Energy efficiency projects at Ilyich Steel

A project to modernise lighting at Ilyich Steel's sheetrolling shop was implemented in 2018 and helped to reduce the consumption of electrical power by 60%, due to the installation of 2,200 energy-efficient LED lightbulbs. Today the plant can save 7.2 mln kWh, which amounts to US\$415,000, reducing emissions equivalent to 6,440 tonnes of CO₂.

Also in 2018, 24 modern gas burners and three automation units were installed at three sintering machines in Ilyich Steel's sintering shop. The new burners more efficiently use gas through the automatic regulation of gas pressure and even distribution of temperature. There was a 35% savings on gas in the work of the sintering machines, 1.6 mln m³ of gas or more than US\$606,000.

**HEAD OF THE DEPARTMENT FOR ENERGY EFFICIENCY AT ILYICH STEEL
VITALIY GOLOVCHENKO**

"The additional advantages of the measures undertaken is an increase in the reliability of the work of the sintering machines and quality of the chemical composition of the product (content CaO+MgO) while reducing the volume of gas used. The expected environmental effect is a reduction of emissions by 3,000 tonnes of CO₂ per year"



Energy solutions at Avdiivka Coke

As result of the conflict in Eastern Ukraine, in 2017-18, access to sources of electrical power was reduced and prices for energy resources increased sharply. As a result, the share of constant expenditures in the cost of production carried out at our assets increased substantially. This problem was especially acute for Avdiivka Coke. Constant interruptions began in the supply of electrical power, without which Avdiivka Coke could not function.

In 2017, employees of DTEK and Avdiivka Coke built a new electrical transmission line, allowing the plant to reach its full capacity for the first time in three years.

**GENERAL DIRECTOR OF AVDIIVKA COKE
MUSA MAGOMEDOV**

"The construction of the new power transmission line in Avdiivka is completed. Thank you to the electrical engineers of DTEK and the plant for their work, in all weather, night and day. Avdiivka and Avdiivka Coke now have a stable power supply. Now eight batteries are working, as in peacetime. And we can finally increase the load and output of coke"



NEAR-TERM PLANS

In 2019-20, Metinvest Group and joint ventures will continue to implement long-term environmental programmes designed for the future.

Asset	2019	2020
Ilyich Steel	Reconstruction with new construction of gas cleaning facility of the casting yard and bunker ramp of blast furnace no. 3	Reconstruction of the gas cleaning facility of the sintering and cooling zones for sintering machines nos. 1-12 Reconstruction with new construction of gas cleaning facility of the casting yard and bunker ramp of blast furnace no. 2
Azovstal	Transfer of blast furnace no. 4 to recycled water supply Transfer of blast furnace no. 3 to recycled water supply Reconstruction of the aspiration system in the pig iron de-sulphurisation department Overhaul of coking chambers with the use of ceramic lining of coke battery no. 4	Construction of a new gas cleaning unit in the converter shop Reconstruction of the aspiration system of the crushing equipment at the bulk and ferroalloys department of the converter shop Overhaul of coking chambers with the use of ceramic lining of coke battery no. 3
Zaporizhstal JV	Reconstruction of the aspiration units of the departments for burden preparation of the sinter plant Reconstruction of the aspiration of the tailings sections of the sintering machine	
Zaporizhia Coke	Overhaul of the furnace chambers of coke battery no. 4 with the replacement of reinforcement elements	Overhaul of the furnace chambers of coke battery no. 5 with the replacement of reinforcement elements
Avdiivka Coke	Replacement of cooling tower no. 10 Technical re-equipping of the chemical waste processing unit in the coke gas cleaning shop of recovery plant no. 2 Replacement of the aspiration system of reloading station K-2 Overhaul of furnace chambers with the use of ceramic lining at coke battery no. 6 and coke battery no. 8	
Metinvest-KMPR	Modernisation of gas cleaning units of electric arc furnaces nos. 1 and 5	Overhaul of exhaust units of knockout grids and mix preparation sites
Northern GOK	Replacement of gas cleaning equipment of the Lurgi 552A pelletising machine	
Southern GOK JV		Reconstruction of the sinter gas cleaning systems in the sintering zones of sintering machines nos. 1-5 of sintering plant no. 1

In addition, we will continue to develop and implement energy savings programmes at all of our production assets. Priority areas over the next two years will be:

- utilising excess blast-furnace and coke gases
- introducing technology to replace natural gas with sunflower husks in Azovstal's lime furnaces
- implementing energy service contracts at the Ukrainian production assets
- implementing projects to increase production efficiency and use compressed air
- auditing energy management systems at Ukrainian production assets
- developing systems for energy resource accounting.



Creating safe working conditions

KEY EVENTS IN 2017–18

The programme to improve the health, safety and environment system in 2014-18 has been completed

In September 2018, the Metinvest Holding management company was the first enterprise in Ukraine to pass a certification audit in accordance with the ISO 45001 standard

OUR APPROACH

Metinvest Group strives to create safe working conditions at all of its operations.

Metinvest's health and safety management system is based on the "Metinvest Group Policy and Principles in the Field of Health, Safety and the Environment".

Metinvest's Supervisory Board has a dedicated Health, Safety and Environmental Committee. The Committee evaluates management approaches in the field of health and safety and takes strategic decisions aimed at implementing corporate policy. The Directorate for Occupational Safety and Ecology coordinates the Group's work in this area.

Departments responsible for health and safety act as centres of competence within Metinvest. Managers at all levels are personally responsible for compliance with health and safety requirements.



10

of Metinvest Group's enterprises have been certified to the OHSAS 18001 standard. In September 2018, the Metinvest Holding management company was the first enterprise in Ukraine to pass a certification audit in accordance with the ISO 45001:2018 standard, which replaced OHSAS 18001



The system for informing managers of incidents at the Group's facilities works 24/7. Particularly dangerous incidents are reported to heads of enterprises and the CEO of Metinvest Group within two hours. Rapid response measures help to minimise the consequences of incidents.

APPLYING INTERNATIONAL SAFETY STANDARDS

Metinvest's health and safety management system helps to ensure oversight of potential risks and compliance with legal requirements in this area.

Vision Zero

In early 2019, we received the Vision Zero international certification. Vision Zero is a global campaign launched by the International Social Security Association (ISSA) in 2017 that establishes higher requirements for preventing workplace accidents. This is a qualitatively new approach to organising workplace health and safety systems.

**GENERAL DIRECTOR OF METINVEST GROUP
YURIY RYZHENKOV**

"Human life is a top priority for Metinvest. As part of implementing our strategy, we improve and adopt best international practices to create safe working conditions at our enterprises. By participating in Vision Zero, we are setting higher standards to improve how we protect our people, as we strive to not only comply with the requirements of the law, but also to take all possible additional measures necessary to reduce the risk of work-related injuries"

¹ The list of Metinvest Group enterprises certified to the OHSAS 18001 standard at the end of the reporting period includes: Metinvest-M&R, Azovstal, Ingulets GOK, Central GOK, Zaporizhia Coke, Ilyich Steel, Inkor & Co, Northern GOK, Metinvest-Promservice and Metinvest Holding.

HSE PROGRAMMES

Metinvest Group's risk assessment system is based on the following generally accepted methods:

Hazard identification (HAZID)

Environmental impact identification (ENVID)

Hazard and operability study (HAZOP)

Job safety analysis (JSA)

Permit-to-work (PTW)

In late 2018, we completed the implementation of a five-year programme to improve our health, safety and environment (HSE) system. The programme focused on 16 areas and served as the basis for the creation of an HSE management system at the Group. Metinvest is now developing a health and safety programme aimed at improving the efficiency of this system. One of the programme's primary focuses is ensuring the safety of production processes, where the heads of enterprises play a decisive role. They provide the necessary means of oversight, ensuring that employees understand the risks inherent in their work and are engaged in creating safer working conditions.

CORPORATE STANDARDS

Metinvest has 15 corporate standards governing health and safety. They ensure a uniform approach to health and safety at the Group's enterprises, as well as by contractors.

RISK ASSESSMENT

Risk assessment covers all aspects of the Group's operations, from existing production processes to planned investment projects. It allows us to minimise the likelihood of hazardous situations and prevent their outcomes. In 2017-18, Metinvest Group carried out 132 risk assessments in accordance with HAZID methodology, on the basis of which 1,800 recommendations were developed. In addition, periodic audits are carried out to ensure measures to address already identified risks are being implemented.

United Coal Company's safety achievements

At the beginning of 2019, United Coal Company (UCC) was recognised with a government award for its contribution to preventing and reducing accidents and injuries in the industry. The Joseph A. Holmes Safety Association awarded UCC's vice president, Don Jones, the title Director of Coal Safety and granted him the right to participate in the Coal Safety Leadership competition.

This is not UCC's first such award. In 2018, the Affinity mining complex, which is part of UCC, was recognised for mine safety. The rescue team of Wellmore Coal Company (a division of UCC) won first place in two professional competitions in the state of Virginia.



VICE PRESIDENT OF UCC
DON JONES

"I was honoured to receive this award. This is confirmation that all our departments are working to achieve perfect safety"

132

risk assessments carried out in accordance with HAZID methodology



INTERNAL AUDIT SYSTEM

Metinvest maintains an internal audit system in order to evaluate the compliance of the Group's assets with legislative requirements and corporate standards for occupational health and safety.

Regular audits and inspections allow for the discovery and prompt elimination of factors not in compliance with occupational health and safety rules.

Internal audit encompasses 17 areas:

- Repair work safety
- Safety of subcontractor organisations
- Safety of buildings and facilities
- Operation of the permit-to-work system
- Operation of the lock-out, tag-out (LOTO) system
- Electrical safety
- Safety of production equipment
- Protective barriers and equipment
- Safety of carrying out hazardous work
- Safety of conveyor transportation
- Safety on railroad transportation
- Safety of underground and mining work
- Safety of operating industrial pipelines
- Safety of locations and work with gas hazards
- Safety of load lifting mechanisms and machines
- Safety on automobile transportation
- Safety of cable tunnels and equipment

OPERATIONAL AUDIT GROUPS

In 2018, we created four groups of auditors to carry out timely audits of potentially dangerous incidents as part of targeted programmes established by the Health, Safety and Environmental Committee of the Supervisory Board.

As a result of the audits, recommendations are developed for the improvement of occupational health and safety. The introduction of corrective actions is under the special oversight of the management of the enterprises.

RESULTS OF INTERNAL AUDITS²

	2015	2016	2017	2018
Number of internal auditors	5	5	10	10
Number of audits and inspections conducted	40	49	89	85
Number of non-compliances with HSE legislative requirements ³	443	551	931	548
Corrective measures developed	388	494	1,102	590

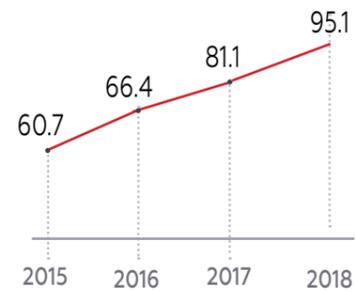
² The data include information from the following assets: Metinvest-SMC, Northern GOK, Central GOK, Ingulets GOK, Metinvest-M&R, Metinvest-Promservice, Azovstal, Ilyich Steel, Metinvest-KMPR, Zaporizhia Coke, Avdiivka Coke and Inkor & Co.

³ Beginning in 2018, environmental audit statistics for Metinvest Group have been collected separately.

US\$176 MLN

invested by Metinvest Group in occupational health and safety during the reporting period

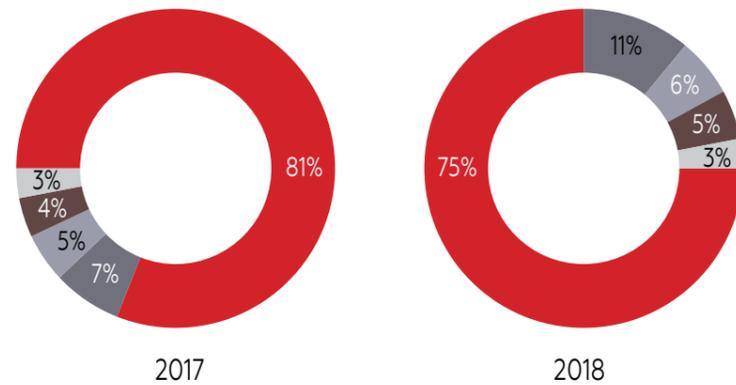
Metinvest Group investments in occupational health and safety, US\$ mln



INVESTMENTS IN SAFETY

In 2017-18, we continued to create safe working conditions in accordance with the five-year programme for occupational health and safety and the environment.

Investments by area:



PERSONAL PROTECTIVE EQUIPMENT

The "Standard: Requirements for special clothing, special shoes and other personal protective equipment (PPE) for Metinvest Group assets" and the "Corporate norms for free issuance of special clothing, special shoes and other PPE" are in place at Metinvest's production assets. According to the requirements of these documents, our employees are provided with up-to-date, certified PPE meeting all safety norms.

US\$31 MLN

spent on personal protective equipment in 2017-18

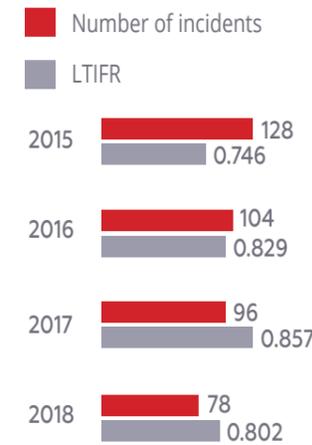
ANALYSIS OF WORKPLACE INJURIES

In 2017-18, 174 workplace injury incidents took place at Metinvest Group assets. Most frequently, employees received injuries linked with a fall while moving around enterprises, the impact of moving or rotating mechanisms, the falling of various objects on them, the fall of employees from heights, as well as interaction with hot surfaces.

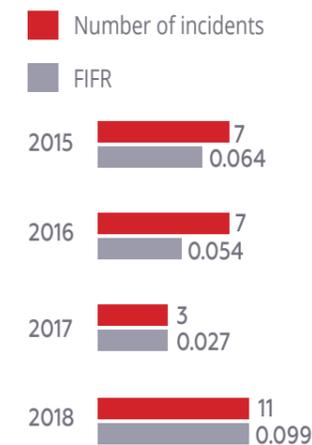
Unfortunately, it has not been possible to avoid cases of fatal injuries at production assets. All incidents were carefully investigated with the participation of senior management, and we developed and implemented measures as a result designed to avoid similar incidents in the future.

In 2018, an incident took place with multiple fatal outcomes at Azovstal: in one of the bunkers of a blast furnace, two employees died from an insufficiency of oxygen in confined space. In order to avoid similar incidents in the future, as a result of the investigation, multi-channel gas analysers were acquired that are now used when this kind of work is conducted.

Total number of lost-time injury incidents



Total number of fatal incidents

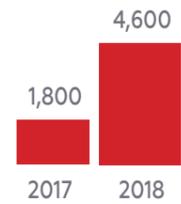


SAFETY OF WORKERS FROM SUBCONTRACTOR ORGANISATIONS

Certain work at Metinvest Group production assets is carried out by subcontractor organisations. Their employees are subject to the same occupational health and safety rules as Metinvest employees. Unfortunately, due to the outflow of personnel in recent years, the level of general qualifications of subcontractor employees has fallen and the level of workplace injuries has risen. Therefore, we take a serious approach to training subcontractor employees, verifying their qualifications and overseeing the work undertaken.

Organisation of subcontractors at Metinvest-Engineering construction sites

Number of workers from subcontractor organisations included in STOP Hours



Metinvest-Engineering is implementing the key projects of the Technological Strategy 2030. In order to eliminate injuries of workers from subcontractor organisations, we have implemented a series of preventative measures.

Occupational health and safety risks are evaluated for each project in accordance with international methods, while steps are taken to minimise previously identified risks. This helps to increase project safety at the stage of construction and utilisation of a facility. Metinvest-Engineering carries out STOP Hours, which are expanded work meetings on themes covering occupational safety. During STOP Hours, work on construction sites is paused for one hour.

In order to verify observance of occupational health and safety requirements at construction sites, we carry out in-depth and targeted safety audits on a daily basis.

On the basis of work carried out during the year, we award leaders in occupational health matters: in 2018, 11 subcontractors received honorary diplomas and gift certificates.



FOUNDRY SHOP FOREMAN AT METINVEST-M&R
MYKHAILO SHVYDKYI

“For Metinvest, human life has the greatest value. Therefore, much attention is paid to the field of labour protection. Our employees are provided with all necessary personal protective equipment”

NON-OCCUPATIONAL INJURIES

In 2017-18, a system for recording non-occupational injuries was developed at Metinvest-M&R, Central GOK, Metinvest-SMC, Avdiivka Coke and the Zaporizhstal JV. This has reduced the losses linked to the temporary loss of working ability from non-occupational injuries.

We use the following tools to evaluate occupational health systems:

- audits as part of the occupational health management system
- health index
- indicators of illness involving the temporary loss of working ability
- evaluation of incidents of overall injuries due to physiological causes
- expert evaluation of the quality of medical examinations

SAFETY DAY AT METINVEST

Each year, Metinvest assets hold events to mark Safety Day. The primary aim is to audit safety as well as to uncover and eliminate risks linked to carrying out the most dangerous work.

Such projects allow us to promote the best international practices in occupational health and safety, as well as to prevent fatal injuries in the most problematic areas.

The results of measures taken to mark World Day for Health and Safety at Work in 2017-18:

Targeted safety audits were carried out at Metinvest Group production assets

59% (2017) and 47% (2018) of employees took part in audits, while 42% (2017) and 41% (2018) of employees at subcontractor organisations also participated

35% (2017) and 30% (2018) of equipment at assets was analysed

Proposals were developed for improving workplace health and safety



OCCUPATIONAL HEALTH AND SAFETY TRAINING

We are constantly improving the skills of our employees in the area of occupational health and safety. In 2017-18, training sessions were held at Metinvest assets for managers, specialists and workers under the following programmes:

- Efficient management of occupational health for managers
- Providing emergency medical aid
- Lock-out, tag-out. Inspecting equipment
- Methodology for identifying the core causes of accidents
- Creating frameworks for conducting risk analysis
- Analysis of safe working practice
- Defensive driving
- Ensuring safe work by subcontracting organisations
- Working safely in closed (inaccessible) spaces
- Training for trainers

In addition, the Directorate for Occupational Safety and Ecology developed four new programmes in 2017-18.

Results of new occupational health and safety programmes

270 managers and specialists	Practical application of lock-out, tag-out, inspection of equipment
50 senior managers	System for occupational health at Metinvest Holding. Safety audits. Implementation and function
30 managers and specialists	Analysis of dangers and issues of the function of the HAZOP process for chairmen, designed for training chairmen evaluating risks using the HAZOP method
48 occupational safety workers	"Training for trainers"

6,000

managers and specialists of Metinvest Group took part in HSE training in 2018

440

students were trained to provide first aid

INNOVATIVE APPROACHES TO TRAINING

We use innovative methods in training our employees. In 2017-18, two game-like business simulations were created, based on corporate occupational health and safety standards:

- procedure for identifying the underlying causes of accidents
- lock-out, tag out and inspection of equipment

The simulations and investigations are based on real incidents, which helps employees to better acquire information. In 2018, more than 6,000 managers and specialists of Metinvest Group took part in the training.

Centre for workplace health for future employees

Metinvest invested more than US\$5,600 in equipment for the Centre for Workplace Safety at the Ingulets College of the Kryvyi Rih National University. Now students can practice first aid techniques using a special simulator.

Over two years, 440 students were trained to provide first aid.

**GENERAL DIRECTOR OF INGULETS GOK
OLEKSANDR HERASYMCHUK**

"For us it is important that employees pay attention to their own health, workplace health rules and can provide first aid in an emergency. Ingulets College trains employees for our enterprise. We are systematically working on the modernisation and improvement of its facilities. Today's investment in equipment is our common future. And students from Kryvyi Rih will now be able to put into practice important skills that will serve them well in personal life and work"

1,444

HSE projects submitted by employees

56

winners

EMPLOYEE MOTIVATION

Metinvest maintains systems to motivate and encourage a sense of responsibility in personnel. Employees receive material compensation for ideas in the area of workplace health and safety, maintaining health and protecting the environment, and their best suggestions are brought to life. In 2017-18, 1,444 projects were put forward and 56 winners were named.



EMPLOYEE HEALTH

4,000

employees completed the course on providing preliminary medical aid

We take a responsible approach to ensuring the health of our employees. With this goal, we have identified strategic areas in the field of occupational health:

- providing emergency medical assistance
- preventing workplace illnesses

Due to changes in legislation covering emergency medical aid, Metinvest came into compliance with the new requirements with the "Standard for providing preliminary and emergency medical assistance". We also implemented the programme for training personnel in providing preliminary medical aid. More than 4,000 employees completed the course.

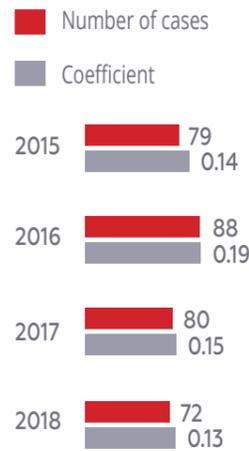
Investment in medical services for employees in 2017-18:

- a major overhaul of the healthcare station at Metinvest-KMPR
- the purchase of medical equipment for a sum of more than US\$371,600 for providing emergency medical assistance to personnel, as well as the performance of pre-shift and in-depth medical examinations
- the acquisition of three specialised medical transportation vehicles for Avdiivka Coke, Ingulets GOK and associated company Zaporozhneupor.

ILLNESS PREVENTION

To prevent illnesses associated with the workplace, Metinvest is improving working conditions, carrying out required preventative exams and implementing projects designed to prevent occupational illnesses. For example, each employee is provided with the opportunity to obtain voluntary medical insurance.

Total number of cases of workplace illness among Metinvest Group employees



In 2017-18, Metinvest continued to implement projects to prevent cardiovascular illnesses. Employees reaching the age of 45 undergo an in-depth exam. As a result, the number of illnesses involving cardiovascular pathologies per 100 employees was reduced from six in 2017 to three to four in 2018. Thanks to initiatives aimed at preventing sudden death at the workplace, there was a more than five-fold reduction in the number of such fatal incidents between 2014 and 2018.



NEAR-TERM PLANS

Among the key plans of Metinvest Group are to develop occupational health and safety programmes designed to enhance of the effectiveness of the standards that have already been implemented. In addition, we will improve management engagement in occupational safety matters.

In response to new challenges in the labour market, Metinvest is planning to change the conditions for hiring subcontractors: shifting from short-term contracts for carrying out a specific task to long-term contracts for a larger number of contracts. This will allow us to better train employees from subcontractor organisations in occupational health and safety rules.

Area	2019	2020
Conduct basic risk evaluations in accordance with HAZID methodology	Conduct periodic HAZID risk assessments to meet the five-year review deadline	
Implement the critical risks programme - most dangerous work (moving and spinning mechanisms, working at heights, etc)	Plan events, train relevant workers, collect initial information, prepare measures and budgets for future periods	Implement critical risks programme
Digitalise occupational health processes	Introduce pilot projects for Metinvest Group assets; develop and implement technical plans for work permits and work carried out by subcontractor organisations	Further develop and elaborate the project

Section 4

Taking care of our employees

MILESTONES OF 2017–18

- Approved Metinvest Group's HR Strategy for 2018-23
- Introduced a differentiated employee remuneration policy
- Metinvest's youth projects were awarded the 'Ukraine-2018 HR Brand Prize'

OUR APPROACH

Metinvest Group employs more than 66,000 people and remains one of Ukraine's largest employers.

In HR management, we focus on three key areas:

- retaining staff and acquiring new talent
- effective HR management
- staff training and development

In 2018, Metinvest Group drafted and approved a five-year HR strategy that supports the implementation of the Group's Technology Strategy until 2030, which aims to improve production efficiency.

66,000

employees work for Metinvest

Key priorities of the 2018-23 HR Strategy:

- provide Metinvest with skilled employees
- improve staff efficiency
- enhance Metinvest's appeal as an employer
- digitise and improve the quality of HR services

Changes in Group employee numbers¹:



One major challenge for Metinvest Group during the reporting period was the loss of control over certain enterprises due to the conflict in Eastern Ukraine, which resulted in a roughly 20% staff reduction in 2017.

We opened the Employment Centre for Employees from Occupied Territories in Mariupol in an effort to support employees of enterprises from non-controlled territories. With the Centre's help, people have been able to relocate, find housing and continue working at Metinvest enterprises.

The increased outflow of blue-collar workers from Ukrainian companies poses another challenge for Metinvest. The main reason for this is increased labour migration to European countries. As a result, Ukraine now has a shortage of skilled welders, mechanics, electricians, electrical engineers and other specialists who perform maintenance work and repairs on equipment. This has led to the decreased efficiency of certain manufacturing processes.



¹ The data for 2015 and 2016 include the number of employees at enterprises over which the Group lost control in March 2017: Yenakiiyeve Steel, Krasnodon Coal, Khartsyzk Pipe and Komsomolske Flux. This figure stood at 22,281 people in 2015 and 19,408 people in 2016.



EQUAL OPPORTUNITIES

Metinvest ensures all its employees have equal opportunities. The Group prohibits child or forced labour and discrimination based on gender, age or any other grounds. No instances of discrimination against employees were recorded in 2017-18.

The metallurgical and mining industries are dominated by male-oriented professions that involve heavy physical activity. The introduction of robotics and technology to automate production processes has made it possible to hire women for jobs that are commonly considered male-dominated. Wherever possible, Metinvest has been working towards the “feminisation” of certain professions. For example, we are currently working on hiring female drivers to operate heavy-duty vehicles. Driving modern heavy-duty vehicles does not require much physical effort. This allows women to perform work to remove rocks from quarries at our mining and processing plants on an equal footing with men.

HEAD OF THE DEPARTMENT FOR BENEFITS AND COMPENSATION AT METINVEST GROUP OLEKSANDR PIMKIN

“This issue was most acute in 2017. At that time, we recorded a more than 25% outflow of repair personnel. The outflow of production engineers is around 15-17%, which is a very high figure for our industry. It manifests itself in the loss of expertise and the need to replace staff with new, less qualified personnel”

In order to minimise the negative effects and retain staff, we have revised salaries, improved working conditions and social programmes for employees, and provided opportunities for career growth and development within the Group. In 2018, we supplemented the outflow of the workforce by hiring new employees.

Metinvest Group’s staffing level was 99.7% as of the end of 2018:

- staffing level at mining and processing plants – 100%
- staffing level at smelters – 98.3%
- staffing level at repair enterprises – 96.4%

METINVEST TALENT POOL

Metinvest Group has employed a talent pool programme, a system used to train candidates for leadership positions, since 2011. The programme helps to identify the most talented employees and provides them with an opportunity to develop.

On the one hand, the rotation system helps to effectively fill managerial positions with internal candidates and retain managers, and, on the other hand, it enables employees to gain professional and managerial experience and grow within the Group.

Vacancies for executive positions are filled as part of open internal competitions. Initially, they were only held for senior executives, but have been utilised for the heads of workshops, directorates and divisions as well as top specialists since 2017.



In 2017-18, the talent pool programme focused on introducing a system of rotations that aims to increase the level of appointments of the talent pool between enterprises in terms of functional and cross-functional career paths



483

people with disabilities were hired in 2017-18

We offer jobs to people with disabilities according to legislative requirements. In 2017-18, the Group hired 483 people with disabilities. The total number of employees with disabilities was 1,955 people in 2017 and 1,951 in 2018.

Metinvest supports the right of employees and other stakeholders to report violations of legislation and internal regulatory documents, as well as failures to comply with rules of business conduct and corporate ethics. All Metinvest employees may share their opinions with management or report misconduct against them using a feedback form on our internal portal as well as our confidential hotline (for more, see Section 1). We ensure that there is no discrimination against employees who report violations.

COLLECTIVE BARGAINING AGREEMENTS

Our enterprises employ collective bargaining agreements that are drafted on the basis of General and Industry Agreements. Collective bargaining agreements are concluded with primary trade union organisations of enterprises and encompass more than 90% of employees. In the event of significant changes to working conditions, employees are notified no later than two months prior to the introduction of the changes, which is consistent with the standards of the Labour Code of Ukraine.

AUTOMATION OF HR MANAGEMENT PROCESSES

Improving client-facing service for employees is one of the priorities of Metinvest Group's HR strategy. Metinvest established the General Service Centre (GSC) for HR management for this purpose in 2018.

Employees can use telephones, personal accounts or chat-bots at the GSC to get information about their salaries and number of vacation days, request documents and more. The GSC now serves three of the manufacturing facilities (Northern GOK, Central GOK and Ingulets GOK) and encompasses 83 staff management processes.

METINVEST ORGANISATIONAL DEVELOPMENT DIRECTOR YULIYA RYAKHOVSKA

"We are transferring such operations as HR administration, retirement accounting, payroll and bonus calculations, SAP data entry, updating of job descriptions and staffing schedules, and more from our enterprises to the centre. This will help to unify business processes, reduce the cost of IT solution ownership and increase HR productivity"

Another important focus is the introduction of the SuccessFactors automated HR management system in SAP, which employees and their superiors can use to set goals, conduct annual evaluations and plan out an employee's development. At present, this system has been introduced at Azovstal, Ilyich Steel and Metinvest Holding.

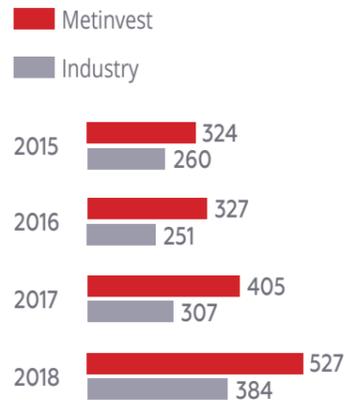
PRODUCTION SITE FOREMAN AT NORTHERN GOK'S PERVOMAISKY QUARRY OLEKSANDR HRIBENNIKOV

"My work brings not only moral satisfaction, but also stability for my family"



EMPLOYEE REMUNERATION AND MOTIVATION

Comparison of the average monthly salary at Metinvest Group with the average monthly salary for the industry in Ukraine, US\$



One effective method we used during the reporting period to solve the problem of staff loss was to change the remuneration policy for Metinvest employees. The policy aims to make wages more competitive with Eastern European levels by increasing internal operational efficiency. A key element of the policy is a variable approach to staff remuneration. We increase wages depending on our employees' qualifications and work experience, as well as the amount of training required to perform their job functions.

We have created a career guidance system for vocational professions, which enables employees to climb the career ladder, make professional development decisions and manage their income. Key skilled workers and production engineers at Metinvest already earn salaries at Eastern European levels ranging from US\$1,000 to US\$1,300 per month.

We encourage our staff to search for ideas that will have an economic impact on Metinvest. Employees participate in continuous improvement programmes and can earn additional remuneration for their proposals

Salary increase at enterprises in 2018 (compared to 2017):



US\$9 MLN

was allocated for improvement of staff common areas

WORKING CONDITIONS AND SOCIAL BENEFITS

One of the factors that affects Metinvest's appeal and staff retention is the condition and safety of workplaces and the areas surrounding enterprises, as well as the quality of common areas. Metinvest has been working since 2012 to make improvements to changing rooms, washrooms, lavatories, meeting rooms and mess areas as part of the Working Life programme. Over US\$9 million was allocated for the development of this segment in 2017-18.

Metinvest is updating its approach to providing social benefits to employees. During the reporting period, the 'My Choice' Individual Social Package was launched at six of Metinvest Group's enterprises (Ingulets GOK, Northern GOK, Central GOK, Metinvest-KMPR, Azovstal and Metinvest-Promservice), as well as at the Zaporizhstal JV.

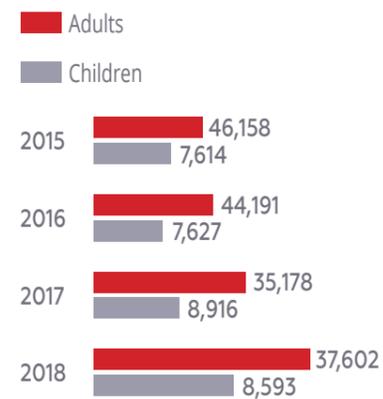
As part of the project, each employee can create a personal set of social benefits for the year. The Individual Social Package covers 54 types of benefits in all. The list of benefits is compiled based on a survey of employees from the Group's enterprises.

EMPLOYEE HEALTH CARE

Voluntary health insurance is available to all employees. The Group has uniform insurance programmes and the scope of medical services is provided depending on the category of employee. Workers also have the opportunity to insure their relatives at reduced rates.

Each year, we provide our staff and their families with vacation packages to recreation and retreat centres and children's wellness centres.

Metinvest employees and their family members who underwent wellness treatment



² Data on the salary of employees working at Metinvest Group's enterprises in Ukraine, except for Metinvest Holding, were used in the calculations.

US\$7.6 MLN

invested by Metinvest Group in staff training in 2017-18

STAFF TRAINING AND DEVELOPMENT

We are interested in our employees' professional and career growth, so we provide different opportunities for their training and development.

Metinvest has a Corporate University. In 2018, it offered the entire spectrum of staff training, including integration programmes for new employees, as well as managerial and professional training.

Core focuses of the Corporate University:

- developing talent at the Group
- developing managerial skills
- professional staff training
- collaboration with educational institutions

We incorporate e-learning tools into Corporate University programmes such as webinars, video content, online homework and online coaching support.

Number of employees who completed one or more professional courses at the Corporate University:



According to the satisfaction survey conducted in 2018:

75 %

employees said they have the opportunity to study and upgrade their skills at Metinvest

53 %

employees are satisfied with their opportunities for career growth

73

training hours average per year for one employee at Metinvest

DEVELOPMENT OF TALENT

Metinvest has training and development programmes for the career growth of talented employees. The Group's enterprises implement the 'Metinvest Young Leaders' programme at the line management level and the 'Leadership Academy' programme at the middle and senior management levels. The three-module 'Metinvest Tomorrow Builders' programme was launched in late 2018 to train senior executives. The programme aims to develop leadership, strategic thinking and corporate management skills.

Metinvest Young Leaders

The 'Metinvest Young Leaders' programme offers talented and ambitious employees under the age of 35 the opportunity for career growth and development. The programme participants form teams and work on projects to improve production processes at Metinvest enterprises.

Over 4,000 young employees have taken part in the 'Metinvest Young Leaders' programme since 2013, and the economic impact from the introduction of their projects amounted to approximately US\$10 million.

In 2018, more than 300 teams from 15 Metinvest Group enterprises took part in the 'Metinvest Young Leaders' programme. About 150 projects are slated to be introduced.



BLAST FURNACE SHOP ELECTRICIAN AT ZAPORIZHSTAL JV AND 'METINVEST YOUNG LEADERS' PROGRAMME AWARDEE
DMYTRO RASTORHUYEV

"Metinvest's enterprises actively support young people. One such tool is the 'Metinvest Young Leaders' programme. Participating in it helps you to find interesting solutions and put them into production"

Leadership Academy

In 2017-18, 77 senior-level employees from Metinvest's talent pool completed training in the third phase of the 'Leadership Academy' programme. The course offers an integrated approach to enterprise management and develops leadership through finding solutions to organisational challenges.

ILYICH STEEL PRODUCTION DIRECTOR, A PARTICIPANT OF THE 'LEADERSHIP ACADEMY' PROGRAMME
SERHIY KOZLOVTSEV

"It wasn't particularly easy to get into the Leadership Academy. We underwent a rigorous selection process. This is invaluable knowledge. I am sure that it will benefit both me and my enterprise"

26,233

employees trained in internal management programmes in 2017-18

DEVELOPMENT OF MANAGEMENT SKILLS

During the reporting period, we continued to implement training programmes for workshop supervisors and enterprise foremen, providing training in basic management skills as part of the 'DNA Management' programme and specialised programmes of the Corporate University.

In 2017, we introduced 'regular management practices' to train foremen and workshop supervisors. They provide a description of the basic principles of supervisors' behaviour to perform their job responsibilities.

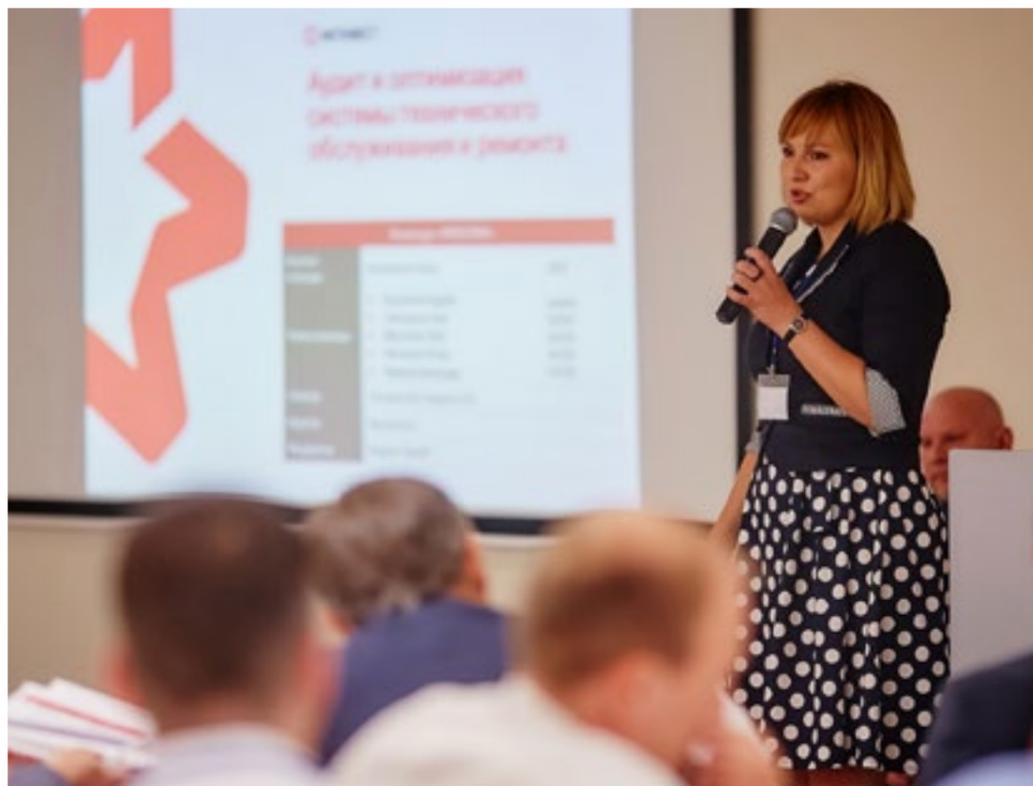
The six regular management practices:

 Feedback	 Task assignment
 Delegation of powers	 Visual monitoring
 Holding meetings	 Line equipment inspections

The Corporate University's programmes include 29 training courses for Metinvest managers and staff. The programmes aim to develop expertise and skills that are instrumental to finding optimal and unconventional solutions, managing changes in conditions of uncertainty and building successful and long-term relationships.

In 2017-18, the following training courses were developed:

- Public speaking: A tool to influence leaders
- Unconventional thinking: Thinking Outside the Box
- Successor development training courses for general directors
- Project management
- Change management
- Building effective teams using the methodology of Ichak Adizes
- Emotional leadership and stress management.



PROFESSIONAL TRAINING OF EMPLOYEES

The training centres of the Group's enterprises have designed a training base development strategy to improve the quality of employee training. Simulators enable employees to simulate production situations and practice the skills needed to ensure trouble-free operation.

One of the Group's most important achievements in 2017 was the launch of electronic simulators and 3D atlases for blast furnace and converter production in Mariupol. They help employees to study equipment features and technological processes, as well as to learn practical skills using real equipment.

Metinvest also employs the 'Professional's School' vocational training programme, which aims to reduce the number of accidents and downtime due to human error.

COLLABORATION WITH EDUCATIONAL INSTITUTIONS

In an effort to enhance the appeal of professions and the quality of graduates' knowledge, Metinvest has introduced dual education and professional standards based on which the Ukrainian Ministry of Education is developing training programmes.

Ilyich Steel and the Mariupol Higher Metallurgical Professional School launched a training course in 2017 for a group of rolling mill operators in four professions (hot and cold roll mill pulpit operators, repairmen and sling operators). In 2018, Northern GOK and the Zaporizhstal JV joined the project with three specialised vocational schools. Ninety students began training in 10 professions as part of the new format.

Six occupational profiles were developed in 2017-18:

- blast furnace operator
- lorry-mounted crane driver
- refractory engineer
- vehicle repairman
- flame cutting torch operator
- metalwork assembler

Metinvest Group's enterprises annually offer students the opportunity for a paid internship. The best university graduates then have an opportunity to be hired.

Metinvest also helps instructors further develop their skills. In 2017, the Group launched an advanced training programme for teachers at specialised technical and vocational schools: 500 instructors took part in the 'Modernised Pedagogical Minimum' training programme and 230 teachers held internships at Metinvest Group's enterprises.



7,010

students completed internships at Metinvest Group enterprises in 2017-18

1,495

graduates were hired for their first job in 2017-18

Professional skills competition

Metinvest served as a partner and general sponsor of the World Skills Ukraine national professional skills competition for the third time in 2018. The competition aims to promote and enhance the prestige of vocational professions among young people.

With Metinvest's support, the competition brought together 190 participants from 25 regions of Ukraine for the first time in Ukraine.

**DIRECTOR OF METINVEST GROUP'S TRAINING AND DEVELOPMENT DEPARTMENT
LARYSA POLISHCHUK**

"The balanced development of the labour market is essential to the country's economic growth. As we make vocational professions attractive and develop STEM education, we strive to give students an opportunity to find themselves based on their own preferences and interests. The competition is a good opportunity for students at vocational schools to show off their talents and skills, and for schoolchildren to learn the specifics of professions and try them out themselves"



INTERNAL COMMUNICATIONS

Internal communications play a key role in relations with employees. Metinvest's internal communication channels were actively transformed in 2017-18. The goal of this process is to improve the quality of employee awareness about key processes and tasks, as well as to create an effective feedback system.

In 2017, Metinvest Group updated its Internal Communications Development Strategy and identified key areas for further development:

- management's personal meetings with staff
- electronic channels: internal portal, emailing
- employee feedback
- new communication channels based on the latest trends: video channel, mobile application

MANAGERS' PERSONAL MEETINGS WITH EMPLOYEES

The functional and general directors of Metinvest enterprises meet twice a year with the heads of the Metinvest Holding management company to discuss the Group's strategic goals and plans.

In 2017, the Group introduced a channel for senior management to communicate with mid-level management at enterprises and workshop foremen. Metinvest Group's CEO held his first meetings with workshop foremen in Kryvyi Rih, Mariupol and Zaporizhia and presented the Group's Technological Strategy 2030 to them. Such meetings were also held later to address other issues.

At these meetings, employees can directly ask questions about Metinvest's projects and goals and get immediate clarification. Senior executives also receive feedback on how projects are being implemented and what difficulties have been encountered and respond to them.



According to a 2018 survey, 60% of employees said that working meetings have become the main source of information versus 51% in 2015. In addition, 88.8% of the respondents said they receive feedback, while 61% said they were satisfied with the thoroughness and content of the answers they received.

Working meetings are an important communication channel at the Group's enterprises. The format of such meetings was modified in 2018 to increase employee awareness. Now, each meeting with employees is attended by the general director or an enterprise's functional director.

ELECTRONIC COMMUNICATION CHANNELS

As technology continues to develop, more and more employees prefer to receive information through electronic communication channels. In keeping with the latest trends, we have upgraded Metinvest Group's internal portal, started to implement a new cloud portal with more functionality and new services for employees, and the roll-out of a mobile application.

In 2017, Northern GOK launched the pilot project 'Video Broadcasting System'. Monitors were installed at administrative and residential buildings, canteens and buses that transport employees in order to broadcast videos. Metinvest Holding, Ilyich Steel, Metinvest-Promservice and Azovstal joined the project in 2018. The Group plans to set up the video broadcasting system at all Metinvest Group enterprises.

HEAD OF METINVEST GROUP'S INTERNAL COMMUNICATIONS OFFICE OKSANA ZOLOTARENKO

"We are developing communication channels that our staff finds preferable and highly convenient. Today, employees, especially young people, prefer video content. They would rather watch a lively short video than read an article in the newspaper. Video makes the information more visual and comprehensible"

DEVELOPMENT OF AN INTERNAL COMMUNICATIONS SYSTEM AT OUR FOREIGN ENTERPRISES

Metinvest's enterprises in Europe and the United States were integrated into the Group's unified internal communications system in 2017-18. Working meetings have been held at Ferreria Valsider and Spartan since 2017, and Metinvest Trameal has updated its approaches to meet Metinvest's new standards. A multilingual electronic newsletter (in Russian, English and Italian) was also launched for employees of the Group's foreign enterprises.

EMPLOYEE FEEDBACK

We regularly analyse the needs of employees as well as their opinions on measures and programmes that are being introduced. Satisfaction surveys are conducted for this purpose at the Group's enterprises every two years. They allow employees to speak openly about key processes within the Group, social projects and staff development programmes. This increases employee involvement in Metinvest's vital functions and helps to meet their expectations as much as possible.

A study was conducted in 2018 on the effectiveness of internal communications among employees at 26 enterprises of Metinvest Group. The survey involved 12,259 respondents, including employees at the Group's enterprises in Europe and the US.

34,571

employees from 27 enterprises of Metinvest Group took part in the satisfaction survey in 2018

NEAR-TERM PLANS

We will continue systematic work in the areas of HR management:

- retaining professional staff
- recruiting young professionals
- managing the remuneration system
- staff training and development
- improving the expertise of production staff
- developing a training base
- improving workplace conditions.

Section 5

Helping cities and people

MILESTONES OF 2017–18

In 2017, Metinvest received the Corporate Social Responsibility Award at the international Platts Global Metals Awards

In 2018, Metinvest launched the ClassMetinvest and FestMetinvest grant programmes in Kryvyi Rih

In 2018, Metinvest kicked off the 'Transforming Avdiivka Together' programme

In 2018, Metinvest opened a representative office of the Metinvest Green Centre public union in Zaporizhia

OUR APPROACH

We are systematically implementing social programmes in an effort to develop the cities where Metinvest Group's enterprises operate. We are creating comfortable living conditions for citizens, developing medicine, education and sports, as well as bringing local residents together and enhancing their social activism.

Our social partnership programmes are approved by Metinvest Group's Supervisory Board and CEO. The Regional Development Department was created within the Metinvest Holding management company in 2018 to oversee programmes at the regional level.

We have shifted from selective charity to systematic strategic investments by creating a foundation for effective social partnership with the regions where we operate.

Metinvest signs social partnership agreements with local authorities. When implementing projects, we rely on each community's development strategy and take into account the views of local residents. Metinvest conducts sociological studies that help us to evaluate the effectiveness of our social investments.

Metinvest builds partnerships with local institutions in an effort to comprehensively develop cities. During the reporting period, we continued our cooperation with the public organisation Mariupol Development Fund (MDF).



MARIUPOL DEVELOPMENT FUND



Metinvest is a key partner in the implementation of Mariupol's City Development Strategy 2021

The Mariupol Development Fund has become the think tank for the drafting of strategic programmes that help to make life in the city more comfortable. It brings together representatives of business, the municipal authorities, international donors and activists to implement promising ideas and social projects. The MDF implements projects jointly with regional, national and international partners, including Metinvest Group, the Mariupol City Council, USAID, UNICEF and the European Bank for Reconstruction and Development, among others. The city has begun developing municipal, social and administrative services, and the following three universities have been transferred from the occupied territories of Donbas to Mariupol: Donetsk National Medical University, Donetsk Law Institute of the Ministry of Internal Affairs and Donetsk University of Management.

In 2017, with the support of the MDF and the international consulting company PwC, the municipality of Mariupol drafted and approved the City Development Strategy 2021, which will be used to implement key infrastructure projects.

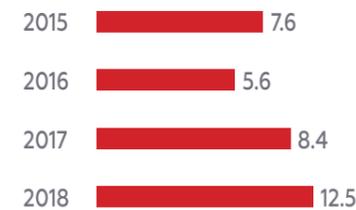
METINVEST GROUP CEO YURIY RYZHENKOV

"Today, the Mariupol Development Fund consists of a team that brings together big business as represented by Metinvest and several other companies, the local authorities and international donors. Together, we will continue building modern citizen service centres and developing infrastructure, medicine and education. I am certain that Mariupol's development will only accelerate in this format"

US\$102 MLN

invested by Metinvest Group in the development of local communities in 2006-18

Metinvest's social investments, US\$ mln



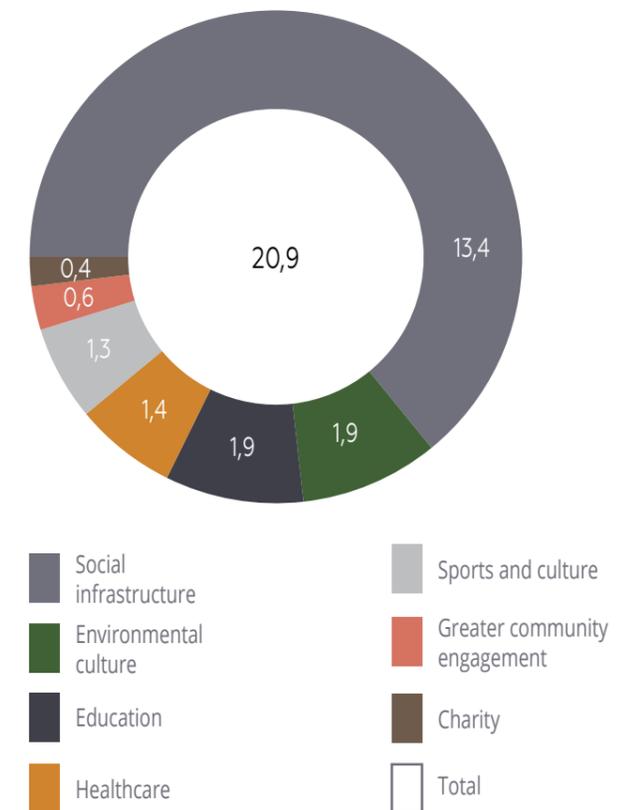
DEVELOPMENT OF THE SOCIAL PARTNERSHIP PROGRAMME

We continue to increase our volume of social investments each year. Over the last twelve years, Metinvest has invested roughly US\$102 million in the development of local communities, with a fifth of these investments (US\$20.9 mln) coming in 2017-18.

Key focuses of Metinvest's Social Partnership Programme:

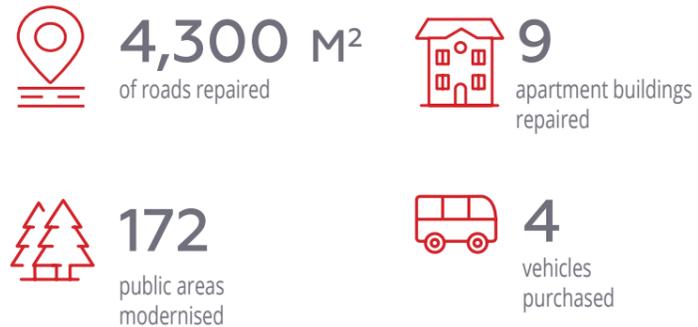
- social infrastructure
- environmental culture
- education
- healthcare
- sports and culture
- greater community engagement
- charity

Metinvest's investments in the Social Partnership Programme in 2017-18, US\$ mln



SOCIAL INFRASTRUCTURE OF CITIES

We focus on implementing major infrastructure projects that enhance people's quality of life. Metinvest is modernising common recreational areas, repairing roads, residential buildings and their surrounding areas and solving heat and water supply issues with the local authorities.



New gas pipeline for Avdiivka

The gas pipeline that supplied gas to residents of Avdiivka and neighbouring settlements was damaged as a result of shelling in June 2017. The Ocheretyne-Avdiivka gas main was built over the course of the year thanks to financial assistance from Avdiivka Coke and the local authorities. In August 2018, gas supplies resumed to buildings in Avdiivka. Metinvest allocated some US\$0.8 million for the construction of the gas pipeline.

UKRAINIAN PRESIDENT
PETRO POROSHENKO

"A city's backbone enterprise is not just a production facility. It means jobs, heat, the functioning of the city and, of course, the authorities' responsible position with respect to the Ukrainian manufacturer. We currently see that Avdiivka Coke is hiring new employees and creating new jobs in Ukrainian manufacturing"

Reconstruction of Theatre Square

To mark the 240th anniversary of Mariupol's establishment, the MDF partnered with the municipality to rebuild parts of the city centre. They made repairs to Theatre Square and Greek Square, as well as to buildings across from the drama theatre and a water tower. A park zone with recreational areas was built on Theatre Square, paving stones were laid and utility lines were replaced. An art space and developmental playground were built for Mariupol's children. A children's splash pad is now the square's main focal point. Metinvest Group invested US\$1.3 million in the reconstruction of Theatre Square.

MDF DIRECTOR
TETIANA LOMAKINA

"This massive project was made possible thanks to the partnership of the public, business and government. Because we love our city"



Individual heating system in Novhorodske

Inkor & Co had supplied heat to most of Novhorodske village for a long time. Due to the hostilities, there was a chance of the plant shutting down and the village's residents being left without heat in the winter. The plant's management and the local authorities decided to ensure that Novhorodske would be self-sufficient in terms of energy supplies. The joint project was completed in 2018.

The plant funded the construction of a boiler room at a local school and the installation of individual heating boilers in 201 apartments. In partnership with the local authorities, five social facilities in the village were switched to autonomous heating: a library, wrestling club, music school, health clinic and municipal hospital.

The project won a regional competition titled 'Best Local Government Practices'. Over two years, Metinvest invested US\$275,500 in the village's new heating systems.

**NOVHORODSKE RESIDENT
YURIY SOSOV**

"It's much warmer in the winter, and now we are paying half as much for utilities. Thanks to the autonomous heating in the building, you can independently regulate the heat"

Kryvyi Rih Courtyard

The 'Kryvyi Rih Courtyard' programme to refurbish pedestrian zones and areas surrounding residential buildings was launched in 2016. Builders laid some 3,000 square metres of paving stones and 900 metres of curbs around residential buildings on Vulytsya Nezalezhnosti Ukraine and also installed trash bins and benches in 2018. Courtyards have become more accessible for both pedestrians and motorists.

Thirteen courtyards were repaired as part of the 'Kryvyi Rih Courtyard' programme at a total cost of more than US\$1 million.

**KRYVYI RIH DEPUTY MAYOR FOR HOUSING AND UTILITY SERVICES
OLEKSANDR KATRYCHENKO**

"We involve our partners - major industrial enterprises - in the implementation of large and really important projects for citizens. All citizens appreciate the results of the social partnership - the beautification of the city and the improvements to infrastructure - both throughout the city and in their own courtyards"



Reconstruction of Student Square

The square near the Zaporizhia Regional Puppet Theatre underwent a major transformation in 2017 at the initiative of the Zaporizhstal JV. Cascading flower beds and decorative evergreens were planted in the park, paving stones were refurbished, a ramp for wheelchairs and prams was installed, and additional energy-saving lighting was provided. Benches and stationary ports to charge mobile devices have been installed in the square for the convenience of city residents. The new recreation area has been dubbed Student Square, as it is located between Zaporizhia's two universities. The company allocated roughly US\$45,000 for the reconstruction of the square.

PROJECT ARCHITECT
OLEKSANDR TREGUB

"It used to be problematic for people in wheelchairs to get into the park and make their way to the theatre, so we are solving this problem as well. Prior to reconstruction, there was nothing at all on this site: no shops, no pathways. We made provisions for landscaping and the planting of flower beds and, of course, the opportunity to charge gadgets"



EDUCATION

We are systematically improving the physical infrastructure of educational institutions, from children's nurseries to universities. We are also helping to introduce innovative forms of education, support young talent and develop STEM education.

US\$1.9 MLN

invested by Metinvest Group in education in 2017-18 (twice as much as in 2015-16)

13
educational projects implemented

295
students received scholarships

102
educational institutions received assistance

School scholarships for Avdiivka children

The School Scholarships project was launched in Avdiivka in 2017. Top-performing students and winners of regional, national and international competitions and contests receive scholarships twice a year at the initiative of Avdiivka Coke's CEO. The project encompasses students in grades 5-11 at all general education schools in the city. Scholarships are provided to around 65 students each semester. The project boosts their motivation to study well and achieve good results.

EIGHTH-GRADE STUDENT AT SCHOOL NO. 6
VERONIKA SHCHEREKINA

"Last year, I received a scholarship from Avdiivka Coke for good academic results. I'm going to set the bar just as high this year. I will do better and study in order to achieve something in life"

New children's nursery for Mariupol children

Volonterivka village on the outskirts of Mariupol, with a population of 5,500 people, previously did not have a single preschool institution. Thanks to the joint efforts of the municipal authorities and Metinvest Group, 95 children from the village were able to attend a new, modern and energy-efficient nursery school in September 2018. The nursery has modern kitchen equipment, ergonomic furniture, interactive games, shaded playgrounds and a schoolyard with a gymnastic set.

In partnership with the MDF, Metinvest allocated US\$183,600 to rebuild the nursery building.

**METINVEST GROUP CEO
YURIY RYZHENKOV**

"For more than 30 years, residents of the village outside Mariupol had to take their children to nurseries in other parts of the city. In partnership with the municipality and with the help of state budget funds, Metinvest was able to solve this long-standing problem within a year and build one of the most modern nurseries in the country"



Support for the Steel Freedom competition

For five years, Metinvest has been the general partner of the Steel Freedom National Architectural Student Competition, which is organised by the Ukrainian Steel Construction Centre. A project must have a metal frame to take part in the competition. The competition's annual target audience is around 3,000 students. The Steel Freedom finals involve the participants defending their projects in front of a panel of judges, lectures by industry experts and an awards ceremony. Students can win cash prizes, an architectural trip or internship, as well as prizes from the competition's partners.

**METINVEST GROUP MARKETING DIRECTOR
ROMAN KURASHEV**

"After evaluating all the advantages of steel construction, young architects are offering more and more interesting solutions for the use of metal structures. Steel makes it possible to realise the boldest ideas and architectural forms, which makes it increasingly popular in construction"



Best teachers of Azov region

A contest called 'Best teachers of Azov region' was organised in Mariupol in 2018 with the support of Metinvest Group. The project aims to find innovative teachers, celebrate their achievements and significance for society, and emphasise the importance of teaching activities.

A total of 192 applications were submitted for the competition. The teachers shared their experience and successes, and spoke about their students' achievements and their vision for the reform of the New Ukrainian School. The five finalists were determined through public online voting and a professional panel of judges. Primary school teacher Iryna Pivovarova, who has 30 years of teaching experience, won the 'Best teachers of Azov region' competition in 2018. The final also included four more teachers who were awarded prizes for their work.

IRYNA PIVOVAROVA, PRIMARY SCHOOL TEACHER FROM SCHOOL NO. 52 AND THE WINNER OF THE COMPETITION

"I am grateful that my many years of work were recognised. I want to create comfortable conditions for my special students to learn. All my work focuses on the social adaptation of such children in society. Over the years, I have had more than 150 students with special educational needs graduate, and I tried to put my heart's warmth into each of them"



The Steelmaker's Kitchen

In an effort to generate interest in the industry among the younger generation, we published an augmented reality book titled The Steelmaker's Kitchen in 2018. The book describes how metallurgy and mining are organised in laymen's terms. Readers can download a special app on their smartphone or tablet and watch a video about the different stages of steelmaking.

The book is a charitable publication that was released in Ukrainian, Russian and English. The book is approved by the Ukrainian Ministry of Education and Science for use in secondary schools. It will be provided to libraries, schools and specialised higher and secondary educational institutions of Mariupol, Kryvyi Rih, Zaporizhia and Avdiivka.

**METINVEST GROUP CEO
YURIY RYZHENKOV**

"Contemporary art reflects our view of steelmaking. It's a way to attract young people's attention to a promising profession. Show them what attracts steelmakers and miners themselves to it: the drive, emotions, power of fire and water, and pride in the result. We are creating things that benefit and change the world"



QR code of the e-version of The Steelmaker's Kitchen





US\$1.4 MLN

invested by Metinvest Group in healthcare

HEALTHCARE

Healthcare is one of the key focuses for the sustainable development of society and that is why we systematically invest in the reconstruction of healthcare facilities and help to acquire modern equipment.

Metinvest Group invested US\$1.4 million in healthcare in 2017-18, an 88% increase from 2015-16.

 **178**
units of medical equipment purchased

 **10**
healthcare facilities provided with 103.7 cubic metres of oxygen

 **22**
healthcare facilities repaired

Repair of units at Hospital No. 17 in Kryvyi Rih

City Hospital No. 17 is the only in-patient facility serving the 40,000 residents of Kryvyi Rih's Ingulets and Shyrokye districts. Ingulets GOK regularly invests in the phased modernisation of Hospital No. 17. In 2015-16, the company renovated the children's and surgery units. In addition, wards were repaired in the in-patient clinic and the cardiology, gynaecology, therapy and neurology units in 2017-18. Ingulets GOK allocated roughly US\$52,000 for these purposes. We purchased modern oxygen concentrators and an ultrasound machine, and also took care of expecting mothers by opening an art therapy centre for pregnant women at the hospital.

CITY HOSPITAL NO. 17 CHIEF PHYSICIAN YURIY CHERNOVOL

"Our hospital is the same age as the plant. No major repairs had ever been carried out there for 50 years. Thanks to the Ingulets miners, the hospital will receive a new lease on life. Now the interior itself in the surgery unit will provide for the better treatment of patients"

Repair of the neurological department at an Avdiivka hospital

Avdiivka Coke and the municipal government of Avdiivka worked together to restore the building of the neurological department at the city's central hospital in 2018. They repaired the building's roof, which had been damaged by shelling, restored the façade, installed new windows and doors, laid paving stones and placed benches around the building. They also repaired the hospital wards and purchased medical equipment, furniture and household appliances. Now, more than 20,000 residents of Avdiivka can be treated and rehabilitated in comfortable conditions.

Avdiivka Coke spent US\$204,000 on the reconstruction of the neurological department.

DONETSK REGIONAL STATE ADMINISTRATION CHAIRMAN OLEKSANDR KUTS

"Avdiivka is a frontline city on the demarcation line. However, not every hospital in the central cities of our country has such conditions. Positive results of this kind are generated when business is actively involved in the life of the community and not only funds its own projects, but also funds educational and medical projects on the basis of co-financing with the local authorities"



Critical care ambulance for Children's Hospital No. 5 in Zaporizhia

The Anaesthesiology and Intensive Care Unit at Children's City Hospital No. 5 has received a unique critical care ambulance to transport newborns. The project was implemented jointly with the Zaporizhstal JV and the city council. The critical care ambulance has equipment that can quickly bring newborns from maternity hospitals to the emergency room and intensive care unit. The plant allocated US\$94,000 for the purchase of the vehicle, while another US\$56,000 came from the local budget.

DIRECTOR OF THE NEWBORN ANAESTHESIOLOGY AND INTENSIVE CARE UNIT AT CHILDREN'S HOSPITAL NO. 5
IRYNA DENYSENKO

"The new critical care ambulance is equipped with everything needed to transport newborns in critical condition. It has a transport incubator that maintains the optimal temperature, an artificial pulmonary ventilation device, a heartbeat monitor, a pulse oximeter, an IV dispenser, a cardiograph and even a device to warm up IVs, which is very important when transporting children in the winter"



US\$1.3 MLN

invested by Metinvest Group in the development of sports and culture

SPORT AND CULTURE

As part of promoting a healthy lifestyle, we create comfortable conditions for training, as well as support and develop sports among employees and residents of cities where the Group's enterprises operate. Metinvest invests in cultural projects. Mariupol has become a city that hosts vibrant cultural events, such as the Gogolfest Festival of Contemporary Art, the MRPL.CITY Music Festival, Europe Day and France Day. A rock festival, 'Iron Hundred' cycling marathon and 'Steel Run' half marathon were held in Kryvyi Rih in 2018. Zaporizhia hosted the Jazz ZP Youth Jazz Festival and Contest, the ZIFF International Film Festival and the Zaporizhia Kulbabove Festival.

Metinvest provided support for:

 **88**
cultural events

 **37**
sporting events

Metinvest repaired and equipped:

 **15**
sports facilities

 **13**
cultural monuments

 **6**
cultural institutions

 **4**
sports grounds

Genoa Half Marathon

Metinvest sponsored the international Genoa Half Marathon. The traditional race was held in April 2019 in the Italian city of Genoa. More than 1,700 participants took part in the event, including 173 Metinvest employees.

Oleksandr Khlobystov, an employee at Azovstal and operator of the continuous casting machine at the converter shop, ran the half marathon in 1 hour and 13 minutes and finished eighth.

CONTINUOUS CASTING MACHINE OPERATOR AT AZOVSTAL'S CONVERTER SHOP OLEKSANDR KHLOBYSTOV

"This was the first time that I was fortunate enough to take part in international competitions at this level. I am very happy and grateful to Metinvest for providing support that helps employees to achieve personal growth and serious success not only in their profession, but also in sports"

Metallurg Children's and Youth Sports School in Zaporizhia

The Zaporizhstal JV has been the main sponsor of the Metallurg Children's and Youth Sports School of Football since 2016. The number of students at the school has increased from 450 to 1,500 over the course of the partnership with the plant. The school has opened 13 branches at general education schools of Zaporizhia. In 2018, the Zaporizhstal JV funded the reconstruction of a football field for a total of US\$136,000.

In just three years of cooperation, the plant has allocated US\$900,000 for the development of youth football in Zaporizhia. Over three sports seasons, the school's students have been awarded 25 gold and five silver medals at national and regional tournaments and the school ranks second in the rating of the best football schools in Ukraine.

DIRECTOR OF THE METALLURG CHILDREN'S AND YOUTH SPORTS SCHOOL OF FOOTBALL DMYTRO ZAPOROZHENKO

"In three years of cooperation with Metinvest, we have managed to become the second-best academy in Ukraine"



Mykola Stalevarov School

To mark the 85th anniversary of Azovstal, Metinvest organised the 'Mykola Stalevarov School' sports competitions in Mariupol in 2018. The project aims to develop sports and creative skills among schoolage children and provide them with the ability to properly respond to critical situations. The children completed all their tasks on a trampoline obstacle course that was purchased specifically for the competition. Over the course of a month, 36 teams battled for the top prize: equipment for the gymnasium. Students from School No. 51 won the competition. The school now has a modern gym with a treadmill, elliptical trainer and exercise bike.

AZOVSTAL STAFF AND ADMINISTRATION DIRECTOR
KOSTIANTYN VOYTSEKHOVSKIY

"The sports competitions at the Mykola Stalevarov School are a great opportunity for children to achieve excellent results and become heroes at their school with their talent and active team play"



US\$0.6 MLN

invested in greater community engagement in 2017-18

1,185

applications submitted

243

projects implemented

GREATER COMMUNITY ENGAGEMENT

We are implementing grant programmes to develop the social activism of local communities and improve the quality of life in the cities where we operate. Residents can become personally involved in making changes to their homes, courtyards, streets or the whole city.

Key grant programmes of Metinvest Group:

- We Improve the City
- ClassMetinvest
- FestMetinvest
- We Are the City
- Transforming Avdiivka Together



38
playgrounds and sports grounds refurbished



26
public areas upgraded and planted with greenery



10
infrastructure facilities improved



31
educational projects implemented



40
cultural projects and events held

The projects of the **'We Improve the City'** contest aim to beautify cities and make it greener, develop tourism infrastructure, and implement educational, cultural and creative initiatives.

Metinvest implemented the programme in Kryvyi Rih and Mariupol in 2017. In 2018, the 'We Improve the City' programme in Kryvyi Rih was reformatted into two competitions: ClassMetinvest and FestMetinvest.

'Fulcrum' for children

The 'Fulcrum' art therapy office opened at School No. 52 in Mariupol in 2017 to provide psychological support to students. It was set up based on the initiative of schoolteachers and parents from the Family Circle public organisation. The project involved repairs to the facility, the installation of windows, doors and additional lighting, and the purchase of modular furniture and specialised equipment. The centre purchased a developmental light table for sand animation with a set of special sand, water mats for drawing, a kinaesthetic game panel, instructional sets and stationery.

SCHOOL NO. 52 PSYCHOLOGIST
YULIYA KOVALIOVA

"The art therapy office is a space where children can have a psychological and emotional stress release and people are ready to provide support and help them to cope with stress. The classes will be held with students using modern methods of art therapy and the appropriate sound and lighting design. Children with special educational needs will be able to develop their abilities as well as their perception, memory and thinking here"

The **ClassMetinvest** programme was launched for schools in Kryvyi Rih and Shyroke district in 2018. The programme helps teachers to introduce the ideas of the New Ukrainian School, improve the physical infrastructure of educational institutions, motivate students to develop and create comfortable learning conditions for children.

Robotoria robotics class

A modern robotics class called the Robotoria has opened at the Pokrovske Lyceum. Sets were purchased for schoolchildren to build robots, the classroom was repaired and a 'robot academy' was set up. Children in the robotics class will assemble and programme different devices, learn to manage them and prepare for competitions.

THE AUTHOR OF THE PROJECT AND A COMPUTER SCIENCE TEACHER
OLEH DAVYDENKO

"The study of robots is part of the school curriculum in almost all European countries since we are entirely surrounded by smart devices. They help us to live, work and communicate. Children are interested in how it all works. They aren't afraid, but have a lively curiosity, and this is the quality that makes them scientists"



The **FestMetinvest** competition has been held in Kryvyi Rih since 2018. A key component of the competition is support for creative initiatives in order to develop Kryvyi Rih and enhance the appeal of the city for its residents as well as tourists.

'Iron Hundred' cycling marathon

Denys Dubov, the head of the Ukrainian Velo Family public organisation, came up with the idea for the industrial cycling race and organised it. About 500 cyclists from 42 Ukrainian cities took part in the 'Iron Hundred' cycling marathon. The marathon participants rode two distances: the first was 100 km and the second was 55 km. The race is unique because of the route itself, which runs through Kryvyi Rih's industrial landscapes.

The event increased people's awareness of Kryvyi Rih and was won by five-time Ukrainian cycling champion Anton Pustovit.

THE WINNER
ANTON PUSTOVIT

"There were green tunnels, winding stone roads and an excellent path along the reservoir. Thanks again to the organisers for the format of the competition"



The **'We Are the City'** grant competition for social initiatives has been held in Zaporizhia since 2013. Over the course of six years, 230 projects have been implemented to promote beautification, culture, education, sports, volunteering and patriotism. The number of applications submitted increases each year. People are coming together to make their city better.

Vulyk Art Space

The cosy Vulyk Art Space has opened in the building of the Zaporizhia Regional Library. Thanks to the Art-Prostor Art Centre's victory in the 'We Are the City' competition, repairs were made to the facility and video, light and sound equipment was installed in 2018. Vulyk will now host free Ukrainian and Czech language courses, meetings of members of the Ascension Audio and Cinema Club, literature evenings, concerts and theatrical performances. Anyone who wants can contact Art-Prostor with a project that they would like to organise at Vulyk.

ART-PROSTOR ART CENTRE DIRECTOR
IHOR GARMASH

"When we analysed what events people like most, we found them to be events where they feel at home. It has everything that a person needs, on the one hand, to get in touch with art and, on the other hand, to feel at ease in an informal environment"

The 'Transforming Avdiivka Together' contest kicked off in Avdiivka in 2018. It brings citizens together for the joint implementation of projects to beautify areas surrounding and inside of residential buildings. Thanks to the project, Avdiivka residents have been able to make their homes more comfortable and cosier.

Sports ground for people with disabilities

A sports ground for playing bocce and darts has opened on the territory of the 'Overcome' Society of People with Disabilities in Avdiivka. Bocce is a precision-based game that is used for the physical rehabilitation of patients with musculoskeletal system disorders. The facility has become a new site for the 1,500 wards of the public organisation to engage in active recreation and rehabilitation.

AVDIIVKA COKE CEO
MUSA MAGOMEDOV

"The dreams of 1,500 wards from the city's 'Overcome' public organisation of people with disabilities have come true. I am confident that this will not be our last joint project"

US\$1.9 MLN

invested by Metinvest
in environmental culture

CHARITY

Our enterprises provide financial assistance to disadvantaged social groups and people in difficult life situations. Metinvest helps orphanages and foster homes, unions of veterans, people with disabilities, Chernobyl victims and other public organisations.

Metinvest Group allocated US\$0.4 million for charity in 2017-18.

ENVIRONMENTAL CULTURE

Making cities comfortable, clean and green, and developing an environmental culture among the public, are some of the key objectives that we have been working on since 2013 through the Metinvest Green Centre public union (MGC).

MGC supports the initiatives of citizens, public organisations as well as self-organisation committees to beautify urban territories and areas surrounding residential buildings and make them greener. The Metinvest Green Centre carries out environmental campaigns and teaches children how to take care of the environment. A representative office in Zaporizhia joined the MGC offices in Mariupol and Kryvyi Rih in 2018.

 **1,785**
requests fulfilled

 **4,742**
trees planted

 **885**
beautification projects implemented

 **243.4**
hectares cleaned

 **2,400**
tonnes of trash removed

 **1,805**
benches installed

100 Yards

The '100 Yards' programme was launched in Kryvyi Rih in November 2016. As part of the programme, we hold a contest each year and implement the best projects. During the contest, more than 10,000 residents of Kryvyi Rih took part in the beautification of areas surrounding residential buildings, the repair of playgrounds and sports grounds, the planting of trees and flowers, cleaning up courtyards and community volunteer days. A total of in 2016-18 362 applications were submitted and the 98 projects were implemented of more than US\$370,000.

THE AUTHOR OF A PROJECT AT 34-36 VULY TSA GENERALA RADIEVSKOGO
LARYSA YURCHENKO

"After winning the contest, we built a playground for children, and then for the next round, we came up with the idea of installing parallel bars and ping-pong tables for older children. Once everything had been installed, we realised that we needed to get rid of a grey wall in the background. That's how we got the dream to create a mural based on 'Alice in Wonderland'"



A Tree in Every Courtyard

'A Tree in Every Courtyard' is the first public event carried out by Metinvest Green Centre's representative office in Zaporizhia. In the run-up to the New Year's holidays, the MGC got together with apartment building residents to plant 110 fir trees in their courtyards. The event continued with a competition for the fir tree with the most original holiday decorations. The ten winning courtyards received LED lights and snow shovels. This project not only helped to make the courtyards of Zaporizhia greener, but also motivated residents to come out and spend some time in their courtyards, interact with their neighbours and celebrate the holidays together.

BEREGYNIA-2 APARTMENT BUILDING CO-OWNER
ASSOCIATION CHAIRWOMAN
VALENTYNA GUSAREVA

"I hope this tree thrives here. There is a nursery nearby. It will beautify this area and make our children happy"





'Green Plant'

The 'Green Plant' educational programme in Mariupol aims to develop an environmental culture among schoolchildren. More than 3,000 children took part in the programme in 2017-18. Young naturalists learn about respecting the environment, the sustainable use of natural resources, and the proper management of household waste. In addition, the programme participants implement their own environmental projects, take part in scientific conferences and take thematic tourism trips to the cities of Ukraine.

As part of the 'Easter Egg Patterns' project, activists visited the heart of Ukrainian Easter egg decorating in the Ivano-Frankivsk region city of Kolomyya. Thanks to the partnership between the MGC and Mariupol Television, children learned how to blog and prepare their own videos, in which they called for preserving the environment and provided interesting facts about plants.

Metinvest allocated more than US\$37,000 for the 'Green Plant' programme in 2017-18.

'GREEN PLANT' PROGRAMME MANAGER VIKTORIYA KOSHMANOVA

"The programme has generated interest among hundreds of children in the five years it has existed. Children manage to gain valuable knowledge and experience even in a playful manner"



NEAR-TERM PLANS

Metinvest Group continues to implement a social partnership programme in the cities and towns where our enterprises operate. We are expanding our cooperation with partner organisations. This format creates great opportunities for sustainable urban development.

ANNEX 1. ABOUT THE REPORT

This is Metinvest Group's sixth Sustainability Report. Covering the period between 1 January 2017 and 31 December 2018, this Report reflects the economic, social and environmental impacts of the Group's operations, as well as the results of its sustainability efforts. Wherever reasonable, it also includes important information outside of the Report boundary, as well as Metinvest Group's medium-term plans.

The Report has been prepared in accordance with Global Reporting Initiative (GRI) Standards: Core option. It also contains information about the Group's contribution toward achieving the 17 United Nations (UN) Sustainable Development Goals 2030.

When preparing the Report, the following were also considered:

- the International Integrated Reporting Council (IIRC) Standard
- the AA1000SES Stakeholder Engagement Standard
- the UN Global Compact Communication on Progress (CoP) principles
- the ISO 2600 Guidance on Social Responsibility

The Group has adopted a two-year reporting cycle. Past social reports can be found at the following website: <https://metinvestholding.com/ru/responsibility/socialreports>

REPORT STRUCTURE

This Report is a tool for communication between Metinvest Group and its stakeholders. The purpose of the Report is to describe the most important aspects of the Group's corporate social responsibility efforts.

The Report includes details on the Group's activity in the following areas:

- company management
- transparency and accountability
- business ethics and anti-corruption
- responsibility for the quality of products and services
- stakeholder engagement
- environmental protection and energy efficiency
- occupational health and safety
- human resources management
- wages and social benefits
- professional growth of employees
- social investments

The Report contains links to Metinvest's website to make it more informative and easier to read.

REPORT BOUNDARY

The Report provides information on the performance of the Metinvest Group enterprises consolidated in the IFRS financial statements (see Table 1).

The Report boundary excludes information about Yenakiieve Steel, Krasnodon Coal, Khartsyzk Pipe and Komsomolske Flux due to the Group losing control of those entities in 2017 amid the conflict in Eastern Ukraine.

Compared with the previous reporting period, the Report boundary has been expanded for 2017-18 to include key Metinvest Group enterprises in Europe and the US, service and engineering enterprises in Ukraine, as well as enterprises that merged with the Group in 2017-18. Metinvest-KMPR joined the Group in December 2016 and has been included in the report since 2017. Unisteel and Metinvest Digital have been consolidated beginning with 2018, when they joined Metinvest Group.

The quantitative indicators for 2015-16 in this Report differ from the quantitative indicators in the previous reporting materials, because they were amended to ensure the comparability of data for a four-year period given the above changes within the Report.

Table 1. Changes in Metinvest Group's Report boundary

Key Metinvest Group enterprises in Ukraine	Report boundary 2015-16	Report boundary 2017-18
Metinvest Holding LLC (management company)	+	+
PJSC "Northern GOK"	+	+
PJSC "Central GOK"	+	+
PJSC "Ingulets GOK"	+	+
PJSC "Azovstal Iron & Steel Works"	+	+
PJSC "Ilyich Iron and Steel Works of Mariupol"	+	+
PJSC "Zaporizhia Coke"	+	+
PJSC "Avdiivka Coke"	+	+
"SMA Inkor & Co", LLC	+	+
"Metinvest-KMPR", LLC	-	+
"Metinvest-M&R", LLC	-	+
"Metinvest-Promservice", LLC	-	+
"Unisteel", LLC	-	Since August 2018
"Metinvest-Resource", LLC	-	+
"Metinvest-Engineering", LLC	-	+
"Metinvest-Shipping", LLC	-	+
"Metinvest-SMC", LLC	-	+
"Metinvest Business Service", LLC	-	+
"Metinvest Digital", LLC	-	Since September 2018
Key Metinvest Group enterprises in Europe and the US		
Metinvest B.V. (parent company)	-	+
Metinvest International S.A.	-	+
"Metinvest Distributsiya", LLC	-	+
"Metinvest Eurasia", LLC	-	+
United Coal Company, LLC	-	+
JSC Promet Steel	-	+
Spartan UK Limited	-	+
Metinvest Trametel SpA	-	+
Ferriera Valsider SpA	-	+

The data in the Report may have a certain degree of error due to the use of statistical and mathematical methods of calculation. In this regard, we ask you to use it as reference values. The Group reserves the right to provide updated and expanded information in response to a separate request.

PARTIAL INCLUSION

Zaporizhstal JV and Southern GOK JV are joint ventures of Metinvest Group in which the financial and operational decisions are made jointly with other shareholders. Zaporozhohneupor is a company associated with the Group. In this regard, the quantitative indicators for these enterprises are not included in the Report and descriptive information about their performance is presented selectively in the Report.

ABBREVIATIONS

This Report uses the names "Metinvest Group", "Metinvest", "the Group" and "we/our" to refer to all enterprises of Metinvest Group that are included within the Report boundary. The names "Metinvest Holding LLC" and "Metinvest Holding" refer to the Group's management company.

For convenience, the Report uses the short names for enterprises presented in the Table 2.

Table 2. Names used in the Report for Metinvest Group enterprises

Full name	Short name
Metinvest B.V. (parent company)	Metinvest B.V.
Management company Metinvest Holding LLC	Metinvest Holding
PJSC "Northern GOK"	Northern GOK
PJSC "Central GOK"	Central GOK
PJSC "Ingulets GOK"	Ingulets GOK
United Coal Company, LLC	United Coal Company, UCC
PJSC "Azovstal Iron & Steel Works"	Azovstal
PJSC "Ilyich Iron and Steel Works of Mariupol"	Ilyich Steel
"Unisteel", LLC	Unisteel
Ferriera Valsider SpA	Ferriera Valsider
Metinvest Trameal SpA	Metinvest Trameal, Trameal
Spartan UK Limited	Spartan
JSC Promet Steel	Promet Steel
PJSC "Avdiivka Coke"	Avdiivka Coke
"SMA Inkor & Co", LLC	Inkor & Co
PJSC "Zaporizhia Coke"	Zaporizhia Coke
"Metinvest-Resource", LLC	Metinvest-Resource
"Metinvest-Shipping", LLC	Metinvest-Shipping
"Metinvest-Promservice", LLC	Metinvest-Promservice
"Metinvest-Engineering", LLC	Metinvest-Engineering
"Metinvest-KMPR", LLC	Metinvest-KMPR
"Metinvest-M&R", LLC	Metinvest-M&R
"Metinvest Business Service", LLC	Metinvest Business Service
Metinvest International S.A.	MISA
"Metinvest Distributsiya", LLC	Metinvest Distributsiya
"Metinvest Eurasia", LLC	Metinvest Eurasia
"Metinvest-SMC", LLC	Metinvest-SMC
"Metinvest Digital", LLC	Metinvest Digital

MATERIAL ASPECTS

Metinvest used the following process to identify and material aspects for the Group and its stakeholders and reflect them in this Report:

- a list of possible material aspects related to the specifics of the Group's activities was compiled based on the GRI methodology
- interviews were conducted with the heads of the functional units of the Group's management company
- the results stakeholder engagement efforts were used (including data from analyses of meetings between Metinvest's management and the public, case studies, results of staff satisfaction surveys, etc)
- internal regulatory documents that govern the Group's activities in the field of sustainable development were analysed (including the Code of Ethics, HSE Policy and other documents)
- relevant media topics related to Metinvest Group's activities were monitored and considered
- the reporting practices of global industry leaders were considered

Table 3. Material aspect identification matrix

Name of material aspect	Materiality for Metinvest Group	Materiality for stakeholders
Fair wages and social benefits for employees	High	High
Improvement of living standards in the areas affected by the Group's activity	High	High
Involvement in the social and economic development of Ukraine	High	High
Stakeholder engagement	High	High
Responsibility for the quality of products and services	High	High
Professional growth of employees	High	High
Reduction of environmental impact	High	High
Employee health and safety	High	High
Development of local communities	High	High
Climate change mitigation	Middle	Middle
Business transparency and openness	Middle	Middle
Business ethics and anti-corruption	Middle	Middle
Company management	Middle	Middle
Energy efficiency	Middle	Middle
Human rights	Middle	Middle

METHODS USED TO CALCULATE INDICATORS

The Report presents key sustainability events that took place within the reporting period.

Sources of quantitative data include official forms of reporting provided annually to state statistics bodies. Metinvest Group's internal auditors check various indicators that are collected and calculated in accordance with internal forms of reporting during the preparation of the Report.

To calculate the ratio of the average monthly salary at Group plants to the average monthly salary across the Ukrainian industries, a total average recorded payroll across all assets within the Report boundary was used. Data on the average monthly salary at Metinvest Holding are not included in order to ensure proper comparability with the relevant industry and sector data for Ukraine.

PRINCIPLES FOR DEFINING REPORT CONTENT

In defining the Report content, Metinvest Group was guided by the recommendations of the GRI Standards. The Report includes both quantitative indicators and qualitative (descriptive) elements for the Group's main activities that have a significant impact on the economic, environmental and social conditions in the regions where Metinvest Group enterprises operate. Annex 3 provides information on the GRI disclosures in the Report.

PRINCIPLES FOR DEFINING REPORT QUALITY

Balance. The Report presents objective information about both achievements and problem aspects in the Group's activity.

Comparability. The Report outlines performance trends over four years (2015-18), which makes it possible for stakeholders to analyse the Group's activities over time and compare its results with those of other companies.

Timeliness. Metinvest Group's Sustainability Report is published every two years. The previous report contained information for 2015-16 and was published in 2017. This Report presents information for 2017-18 and is being published in 2019.

Accuracy. The Report details quantitative and qualitative data on all significant aspects of Metinvest Group's activities. Such an approach allows stakeholders to accurately assess the results of the Group's work for the reporting period within the Report boundary.

Clarity. The report is written in an accessible language that is understandable to stakeholders. The report is available in three languages: Russian, Ukrainian and English.

Reliability. All data presented in the Report are officially recognised by Metinvest Group and confirmed by its internal documents.

INTERNAL PROCEDURES FOR ENSURING REPORT QUALITY AND RELIABILITY

Metinvest Group has streamlined its internal system for non-financial reporting. The Group's business units responsible for providing information on each of the priority areas of sustainable development must ensure the quality and reliability of both textual information and numerical data. Moreover, Metinvest Group's Internal Audit Department must ensure sufficient confidence in the reliability of the reported information.

DISCLAIMER REGARDING THE PUBLICATION OF PROJECTIONS

The Report contains information on Metinvest Group's short-term and medium-term plans. The plans are projected, with their implementation depending, among other things, on a range of external factors outside the Group's influence, such as economic, political and legal factors. In view of this, the actual performance indicators of the future reporting periods may differ from the projections published in this Report.

APPENDIX 2. ABBREVIATIONS

AEMS	Automated environmental monitoring system
GSC	General Service Centre
GOK	Mining and processing plant
HSE	Health, safety and environment
JV	Join Venture
MDF	Mariupol Development Fund
MGC	Metinvest Green Centre public union
PPE	Personal protective equipment
TOE	Tonnes of oil equivalent
UN	United Nations
VNMI	Association of the Dutch Metallurgical Industry

ANNEX 3. GRI CONTENT INDEX

General standard disclosures	Description	Degree of disclosure	Report section	Compliance with GRI and UN Sustainable Development Goals
GRI 102: General disclosures				
Organisational profile				
GRI 102-1	Name of the organisation	Full	Section 1: We are Metinvest Our strategy, goals and priorities	
GRI 102-2	Activities, brands, products, and services	Full	Section 1: We are Metinvest Products, customers and supply chain	
GRI 102-3	Location of headquarters	Full	Ukraine, 87534, Mariupol, 116A Nakhimova Avenue	
GRI 102-4	Location of operations	Full	Section 1: We are Metinvest Products, customers and supply chain	
GRI 102-5	Ownership and legal form	Full	Section 1: We are Metinvest Our strategy, goals and priorities	
GRI 102-6	Markets served	Full	Section 1: We are Metinvest Products, customers and supply chain	
GRI 102-7	Scale of the organisation	Full	Section 1: We are Metinvest Our strategy, goals and priorities Section 4: Taking care of our employees Our approach	
GRI 102-8	Information on employees and other workers	Partial	Annex 4. Metinvest Group's quantitative performance indicators, 2015-18	
GRI 102-9	Supply chain	Full	Section 1: We are Metinvest Products, customers and supply chain	
GRI 102-10	Significant changes to the organisation and its supply chain	Full	Section 1: We are Metinvest Corporate governance	

GRI 102-11	Precautionary Principle or approach	Full	Section 3: Creating safe working conditions Our approach
GRI 102-12	External initiatives	Full	Section 1: We are Metinvest Stakeholder engagement
GRI 102-13	Membership of associations	Full	Section 1: We are Metinvest Stakeholder engagement
Strategy			
GRI 102-14	Statement from senior decision-maker	Full	CEO's statement
GRI 102-15	Key impacts, risks, and opportunities	Partial	Section 1: We are Metinvest Our strategic priorities and goals Corporate governance
Ethics and integrity			
GRI 102-16	Values, principles, standards, and norms of behaviour	Full	Section 1: We are Metinvest Transparency and accountability
GRI 102-17	Mechanisms for advice and concerns about ethics	Full	Section 1: We are Metinvest Transparency and accountability Section 4: Taking care of our employees Internal communications



Corporate governance			
GRI 102-18	Governance structure	Full	Section 1: We are Metinvest
GRI 102-22	Composition of the highest governance body and its committees	Full	Corporate governance
GRI 102-23	Chair of the highest governance body	Full	The chair of the highest governance body is not the Group's executive director
GRI 102-28	Evaluating the highest governance body's performance	Full	Section 1: We are Metinvest Corporate governance
Stakeholder engagement			
GRI 102-40	List of stakeholder groups	Full	Section 1: We are Metinvest Stakeholder engagement
GRI 102-41	Collective bargaining agreements	Full	Section 4: Taking care of our employees Our approach
GRI 102-43	Approach to stakeholder engagement	Full	Section 1: We are Metinvest Stakeholder engagement
GRI 102-44	Key topics and concerns raised	Full	Section 1: We are Metinvest Stakeholder engagement



Reporting practice

GRI 102-45	Entities included in the consolidated financial statements	Full	
GRI 102-46	Defining report content and topic Boundaries	Full	
GRI 102-47	List of material topics	Full	
GRI 102-48	Restatements of information	Full	Annex 1. About the Report
GRI 102-49	Changes in reporting	Full	
GRI 102-50	Reporting period	Full	
GRI 102-51	Date of most recent report	Full	
GRI 102-52	Reporting cycle	Full	
GRI 102-53	Contact point for questions regarding the report	Full	Annex 5. Feedback form
GRI 102-54	Claims of reporting in accordance with the GRI Standards	Full	Annex 1. About the Report
GRI 102-55	GRI content index	Full	Annex 3. GRI content index
GRI 102-56	External assurance	Full	Not conducted

GRI 200: Economic standards

GRI 201: Economic performance

GRI 201-1	Direct economic value generated and distributed	Partial	Section 1: We are Metinvest Our strategy, goals and priorities	
GRI 201-4	Financial assistance received from government	Full	Metinvest Group did not receive financial assistance from the state during the reporting period	

GRI 202: Market presence

GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Partial	Section 4: Taking care of our employees Employee remuneration and motivation	
-----------	--	---------	---	---

GRI 203: Indirect economic impacts

GRI 103-2	The management approach and its components	Full	Section 5: Helping cities and people Our approach	
GRI 203-1	Infrastructure investments and services supported	Full	Section 5: Helping cities and people Development of the Social Partnership Programme	
GRI 203-2	Significant indirect economic impacts	Full	Section 5: Helping cities and people Development of the Social Partnership Programme	

GRI 204: Procurement practices

GRI 103-2	The management approach and its components	Partial	Section 1: We are Metinvest Products, customers and supply chain	
-----------	--	---------	---	--

GRI 205: Anti-corruption

GRI 103-2	The management approach and its components	Partial	Section 1: We are Metinvest Transparency and accountability	
GRI 103-3	Evaluation of the management approach	Partial	Section 1: We are Metinvest Transparency and accountability	
GRI 205-3	Confirmed incidents of corruption and actions taken	Full	Section 1: We are Metinvest Transparency and accountability	

GRI 206: Anti-competitive behaviour

GRI 103-2	The management approach and its components	Full	Section 1: We are Metinvest Transparency and accountability	
GRI 103-3	Evaluation of the management approach	Partial		
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Full	During the reporting period, fines and/or sanctions for anti-competitive behaviour were not imposed on the Group	

GRI 300: Environmental standards

GRI 302: Energy

GRI 103-2	The management approach and its components	Full	Section 2: Investing in ecology Energy efficiency and resource management	
GRI 302-1	Energy consumption within the organisation	Full	Annex 4. Metinvest Group's quantitative performance indicators, 2015-18	
GRI 302-4	Reduction of energy consumption	Full	Section 2: Investing in ecology Energy efficiency and resource management Annex 4. Metinvest Group's quantitative performance indicators, 2015-18	   

GRI 303: Water and effluents

GRI 103-2	The management approach and its components	Full	Section 2: Investing in ecology Ecological modernisation	
GRI 303-3	Water withdrawal	Full	Annex 4. Metinvest Group's quantitative performance indicators, 2015-18	
GRI 303-4	Water discharge	Partial	Section 2: Investing in ecology Ecological modernisation	

GRI 303-5	Water consumption	Full	Annex 4. Metinvest Group's quantitative performance indicators, 2015-18 Section 2: Investing in ecology Ecological modernisation	
-----------	-------------------	------	---	---

GRI 304: Biodiversity

GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Full	Metinvest does not work in protected areas	  
GRI 304-2	Significant impacts of activities, products, and services on biodiversity	Full	Metinvest does not work in protected areas	
GRI 304-3	Habitats protected or restored	Full	Section 2: Investing in ecology Ecological modernisation	

GRI 305: Emissions

GRI 103-2	The management approach and its components	Full	Section 2: Investing in ecology Our approach	
GRI 305-1	Direct (Scope 1) GHG emissions	Full	Annex 4. Metinvest Group's quantitative performance indicators, 2015-18	  
GRI 305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Full	Annex 4. Metinvest Group's quantitative performance indicators, 2015-18	    

GRI 306: Effluents and Waste

GRI 103-2	The management approach and its components	Full	Section 2: Investing in ecology Ecological modernisation	
GRI 306-1	Water discharge by quality and destination	Partial	Section 2: Investing in ecology Ecological modernisation	
GRI 306-2	Waste by type and disposal method	Full	Annex 4. Metinvest Group's quantitative performance indicators, 2015-18	
GRI 306-3	Significant spills		Not relevant	

GRI 400: Social standards

GRI 401: Employment

GRI 103-2	The management approach and its components	Full	Section 4: Taking care of our employees Our approach	
GRI 401-1	New employee hires and employee turnover	Full	Annex 4. Metinvest Group's quantitative performance indicators, 2015-18. Section 4: Taking care of our employees Our approach	

GRI 402: Labour/management relations

GRI 402-1	Minimum notice periods regarding operational changes	Full	Section 4: Taking care of our employees Our approach	
-----------	--	------	---	--

GRI 403: Occupational health and safety

GRI 103-2	The management approach and its components	Full	Section 3: Creating safe working conditions Our approach	
-----------	--	------	---	--

GRI 403-5	Worker training on occupational health and safety	Full	Section 3: Creating safe working conditions Our approach Occupational health and safety training	
GRI 403-6	Promotion of worker health	Full	Section 4: Taking care of our employees Employee remuneration and motivation	
GRI 403-9	Work-related injuries	Full	Section 3: Creating safe working conditions Analysis of workplace injuries	
GRI 403-10	Work-related ill health	Partial	Section 3: Creating safe working conditions Employee health	

GRI 404: Training and education

GRI 103-2	The management approach and its components	Full	Section 4: Taking care of our employees Staff development and training	
GRI 404-1	Average hours of training per year per employee	Partial	Section 4: Taking care of our employees Staff development and training	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Full	Section 4: Taking care of our employees Staff development and training	

GRI 405: Diversity and equal opportunity

GRI 405-1	Diversity of governance bodies and employees	Full	Annex 4. Metinvest Group's quantitative performance indicators, 2015-18	
-----------	--	------	---	--

GRI 406: Non-discrimination

GRI 406-1	Incidents of discrimination and corrective actions taken	Full	In 2017-18, no incidents of employee discrimination were recorded	  
-----------	--	------	---	---

GRI 407: Freedom of association and collective bargaining

GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Full	At the enterprises of the Group and its suppliers, the right to freedom of association and collective bargaining is not at risk	
-----------	--	------	---	---

GRI 408: Child labour

GRI 408-1	Operations and suppliers at significant risk for incidents of child labour		Not relevant	
-----------	--	--	--------------	--

GRI 409: Forced or compulsory labour

GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Full	In 2017-18, no incidents of forced or compulsory labour were recorded	
-----------	---	------	---	--

GRI 411: Rights of indigenous peoples

GRI 411-1	Incidents of violations involving rights of indigenous peoples		Not relevant	
-----------	--	--	--------------	--

GRI 412: Human rights assessment

GRI 103-2	The management approach and its components	Full	Section 1: We are Metinvest Transparency and accountability	
-----------	--	------	---	--

GRI 413: Local communities

GRI 103-2	The management approach and its components	Full	Section 5: Helping cities and people Development of the Social Partnership Programme	
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Full	Section 5: Helping cities and people Development of the Social Partnership Programme	

GRI 415: Public policy

GRI 415-1	Political contributions	Full	Metinvest does not make financial contributions to any political parties or candidates	
-----------	-------------------------	------	--	---

GRI 416: Customer health and safety

GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Full	Metinvest Group did not receive any complaints or claims related to a negative impact of its products on the health and safety of consumers, nor was the Group fined for non-compliance with the law in connection with the provision and use of its products	
-----------	---	------	---	--

GRI 417: Marketing and labelling

GRI 417-2	Incidents of non-compliance concerning product and service information and labelling	Full	Metinvest Group did not receive any complaints or claims concerning non-compliance with product labelling	
-----------	--	------	---	---

GRI 418: Customer privacy

GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not relevant
-----------	--	--------------

GRI 419: Socioeconomic compliance

GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Full	Metinvest Group did not receive any complaints or claims related to a negative impact of its products on consumer health and safety, nor in connection with violations of product labelling, and the Group was not fined for non-compliance with the law in connection with the provision and use of its products
-----------	--	------	---



ANNEX 4. METINVEST GROUP'S QUANTITATIVE PERFORMANCE INDICATORS, 2015-18

ENVIRONMENT

Gross emissions, kt

Year	Total	Nitrogen dioxide (NO ₂)	Sulphur dioxide (SO ₂)	Carbon monoxide (CO)	Solids
2015	275.2	11.4	20.6	207.5	23.4
2016	282.2	12.3	19.4	217.3	24.4
2017	314.3	15.3	20.3	240.6	29.4
2018	344.5	15.7	19.7	270.6	30.0

Gross greenhouse gas (GHG) emissions, kt

Year	Total	Methane (CH ₄)	Carbon dioxide (CO ₂)	Nitrous oxide (N ₂ O)
2015	9,360.1	18.4	9,341.6	0.06
2016	10,306.3	19.3	10,287.0	0.06
2017	8,407.9	18.9	8,388.9	0.1
2018	9,416.8	12.7	9,404.0	0.1

GHG emissions in metric tons of CO₂, mln tonnes

Year	2015	2016	2017	2018
Total	9.8	10.8	8.9	9.8

Water withdrawal, mln m³

Year	Total volume	Surface water	Ground water	Utilities	Other sources
2015	675.0	601.2	2.0	41.4	30.4
2016	658.4	591.6	2.4	38.9	25.5
2017	671.1	603.1	2.9	43.2	21.9
2018	690.4	618.3	3.0	44.1	25.0

Water consumption by source, mln m³

Year	Total volume	Surface water	Ground water	Utilities	Other sources
2015	654.1	600.9	2.3	39.8	11.1
2016	640.8	590.9	2.6	38.1	9.2
2017	653.2	602.1	3.1	42.6	5.4
2018	671.8	617.2	3.2	43.6	7.8

Volume of water recycled and reused, mln m³

Year	Total volume	Water recycled	Water reused
2015	2,455.2	2,399.0	51.2
2016	2,471.3	2,418.2	48.1
2017	2,397.9	2,343.1	54.8
2018	2,347.9	2,310.8	37.1

Percentage of recycled and reused water out of the total volume of water withdrawn (including recycled)

Year	2015	2016	2017	2018
%	79	79	79	77.7

Total weight of waste, mln tonnes

Year	Total weight of waste production	Weight of disposed waste	Weight of waste transported to third parties	Weight of treated waste
2015	192.4	135.5	0.8	56.1
2016	178.7	127.6	0.7	49.5
2017	213.7	156.3	0.9	56.0
2018	220.2	158.7	0.9	60.1

ENERGY EFFICIENCY

Direct energy use, '000 TOE

Year	Total	Natural gas	Heating oil	Coke	Diesel fuel	Petrol	Coal	Electric power
2015	6,480.8	1,089.6	6.0	2,066.0	191.4	3.2	2,196.7	927.9
2016	6,772.6	1,030.5	11.7	2,204.2	185.7	2.8	2,394.4	943.3
2017	7,591.5	1,189.6	0	2,394.7	207.1	2.7	2,840.1	957.3
2018	7,831.7	1,312.0	0	2,256.3	213.5	2.5	3,072.0	975.4

Energy savings other than electric power, '000 TOE

Year	Total	Heat energy	Fuel
2015	126	0.2	125.8
2016	71.7	1.6	70.1
2017	216.3	5.3	211.0
2018	101.3	2.4	98.9

Energy saved as a result of energy efficiency measures, '000 TOE

Year	Total	Natural gas	Heating oil	Coal	Coke
2015	122.0	37.6	0.1	20.2	64.1
2016	70.9	63.4	0	0	7.5
2017	211.3	57.9	0	12.9	140.4
2018	99.4	19.1	3.0	29.8	47.5

OCCUPATIONAL HEALTH AND SAFETY

Lost day rate

Year	2015	2016	2017	2018
Rate	10.01	12.90	20.81*	25.55*

* The increased lost day rate in 2017-18 is related to the specifics of US legislation for calculating this indicator in the case of fatal injuries: there was one such case at UCC enterprises in each of 2017 and 2018, which led to an increase in the rate for that company and, as a result, for Metinvest Group as a whole.

HR MANAGEMENT

Total number of staff by categories, age and gender

Year	Staff category			Age			Gender	
	Managers/ professionals	Workers	Under 30 years	30-50 years	Over 50 years	Males	Females	
2015	22,874	67,486	17,272	53,409	19,679	59,615	30,745	
2016	19,245	55,949	13,258	46,219	15,719	45,344	29,852	
2017	17,340	48,698	11,405	40,245	14,388	44,530	21,508	
2018	17,574	48,657	10,844	40,622	14,765	45,140	21,091	

Staff turnover rate

Year	2015	2016	2017	2018
%	9	8	12	11

Number of employee trainings held

Year	2015	2016	2017	2018
Number of trainings	81,782	84,901	96,876	105,496

Investment in employee training

Year	2015	2016	2017	2018
US\$ '000	2,713	2,492	2,859	4,735

ANNEX 4. FEEDBACK FORM

DEAR READER,

You have read Metinvest Group's Sustainability Report for 2017-18.

We strive to maintain transparency and honesty in our dialogue with all stakeholders and would be grateful if you could help to improve the quality of our reporting by answering a few simple questions.

Please fill in the online feedback form by [this link](#).

You can also find us online at:

Metinvest Group's website: <https://metinvestholding.com>

Facebook: <https://www.facebook.com/metinvest>

Instagram: <https://www.instagram.com/metinvest>

Twitter <https://www.twitter.com/metinvest>

YouTube: <https://www.youtube.com/user/Metinvestholding>

Email: csr@metinvestholding.com