



SCM GROUP

SUSTAINABILITY POLICY



**SYSTEM
CAPITAL
MANAGEMENT**

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Dear colleagues,

SCM Group works as a responsible business driven by its core values of honesty and integrity, effectiveness, professionalism and responsibility.

We share the values of our society, understand their challenges and help to address them. We are committed to building a business that delivers sustainable financial performance and brings benefit to people. We create good working conditions for our employees, invest in their health and safety and develop their professional potential. We also seek to establish modern and environmentally friendly businesses, and to raise the living standards in the regions of our operations.

Corporate social responsibility (CSR) has been and will remain embedded into our business strategy. Back in 2006, we set out our initial principles and approaches in the SCM Group CSR Policy that all of our companies approved and have followed thus far.

Today we are facing a bigger challenge – to move from CSR to the principles of sustainable development –

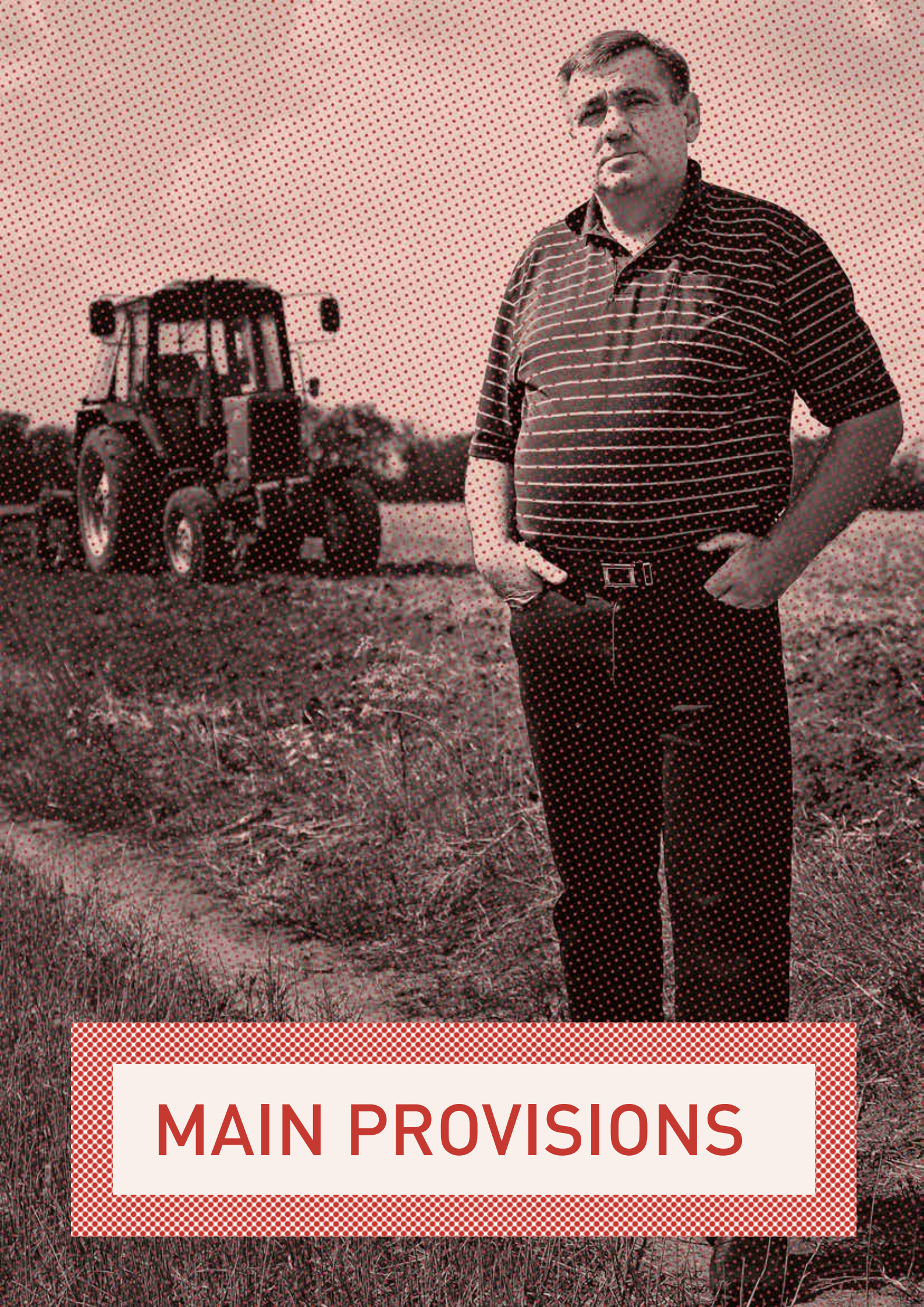
that in turn demands new approaches and actions. For this reason, we reviewed the rules we have been upholding since 2006 and developed the SCM Group Sustainability Policy to serve as the foundation for the sustainable growth of all the assets within SCM Group.

I encourage every employee to read the Policy. I also ask the leadership of our companies to abide by the principles and approaches outlined in the Policy in all aspects of their work, particularly strategic planning, project implementation and governance at all levels. In addition, I invite all chief executives of our businesses to adopt the Policy as a guide for the development and implementation of their own sustainability policies.

I believe that the sustainable development of our companies will contribute to the development of Ukraine and help to make its economy stronger. It will raise the living standards of our employees and their families, the residents of regions where our companies operate and all Ukrainians.

A handwritten signature in blue ink, appearing to read 'Oleg Popov'.

Sincerely yours,
Oleg Popov



MAIN PROVISIONS

SCM IS UKRAINE'S LEADING DIVERSIFIED BUSINESS GROUP OPERATING IN BOTH NATIONAL AND INTERNATIONAL MARKETS. TODAY SCM GROUP COMPRISES OVER 100 COMPANIES THAT EMPLOY MORE THAN 300,000 PEOPLE.

SCM Group is the biggest private national investor in Ukraine and a major contributor to the national economy. We invest in the development and modernisation of our companies, the cities and villages where we operate, and thus in the sustainable future of millions of Ukrainians.

For us, sustainable development means working with people and for people – employees of SCM Group's companies and their families, residents of our local communities and all Ukrainian citizens.

We are committed to being a sustainable business that fully understands its responsibility to stakeholders and the Ukrainian society. We take a holistic approach to sustainable development and have embedded the sustainability principles and approaches outlined in this policy across the entire SCM Group. The approaches guide every aspect of our strategic planning, project implementation and governance at all levels of our Group.



OUR STRATEGIC GOALS

WE BUILD OUR WORK SO THAT OUR PROJECTS AND PROGRAMMES ARE OPEN TO ALL STAKEHOLDERS, IMPLEMENTED IN PARTNERSHIP WITH THEM AND BRING SIGNIFICANT BENEFITS TO PEOPLE. IT APPLIES TO BOTH PROJECTS FOCUSED ON IMPROVING BUSINESS EFFICIENCY AND INITIATIVES GEARED TOWARDS SUSTAINABLE DEVELOPMENT OF SOCIETY.

SCM Group has established the following Strategic Sustainability Goals:

- ◇ Our companies meet the highest international standards of business ethics.
- ◇ We take every effort to bring safety incidents at our companies down to zero.
- ◇ Our companies have systems in place to protect the health and safety of the employees and extend their employment longevity.
- ◇ Our companies are the most attractive employers in their industries and in the regions where they operate. They provide good working conditions and competitive salaries.
- ◇ SCM Group makes a strong contribution to improving the quality of education offered to the students of Ukraine's universities and vocational schools and ensuring it meets the needs of the real economy.
- ◇ Our companies create good living conditions in the regions of their operations.
- ◇ Our industrial businesses meet EU air emission standards.
- ◇ Our industrial businesses apply the best global practices in terms of the quality of discharged waste water and waste management.
- ◇ Our industrial businesses meet the best global practices on the efficient use of fuel and energy.



OUR KEY PRINCIPLES

1

TAKE A WHOLE SYSTEM APPROACH

We have embedded the concept of sustainable development into our business strategy and consider it each time we plan and implement a project.

2

WORK EFFICIENTLY AND EFFECTIVELY

We follow modern business approaches, regularly improve our business processes and procedures, use resources sustainably and look for new business development opportunities.

3

RESPECT INTERESTS OF OUR PARTNERS, CLIENTS AND SOCIETY

SCM Group and all of its companies respect the interests of partners, clients and society and build relationships with them on the principles of integrity, honesty, openness and mutual trust.

4

PROVIDE GOOD AND SAFE WORKING CONDITIONS

We recognise that our employees are our most important asset. We are committed to providing them with safe working conditions, good salaries and social benefits.

5

RESPECT HUMAN RIGHTS

SCM Group and all of its companies respect and observe human rights and freedoms, and have zero tolerance of discrimination.

6

IMPROVE LIVING STANDARDS IN THE REGIONS OF OPERATIONS AND ACROSS UKRAINE

Being a responsible corporate citizen, we invest in raising the living standards in the regions of our operations and contribute to the sustainable development of Ukraine.

7

COMMIT TO PREVENTING AND REDUCING OUR ENVIRONMENTAL FOOTPRINT

SCM Group and all of its companies are committed to continuously reducing their environmental impact.



OUR ACTIONS

HEALTH AND SAFETY OF EMPLOYEES

Our employees are our greatest and most valuable asset. We do our best to protect the health and safety of our employees.



OUR FUNDAMENTAL PRINCIPLES

- ◆ Comply with health and safety laws
- ◆ Ensure safe working conditions for our employees
- ◆ Care for the health and welfare of our employees.



APPROACHES

- ◆ We continuously improve our health and safety performance by developing and upgrading the management system and approaches.
- ◆ We introduce the latest health and safety systems at our big industrial plants in line with the international standard OHSAS 18001.
- ◆ We organise education and advanced training for our employees on health and safety.
- ◆ Health and safety of our employees is the most important issue for SCM Group. Our industrial holdings strive to continuously improve their systems of medical supervision and prevention of occupational diseases.
- ◆ We upgrade production processes and equipment to lower the impact of industrial factors on our employees.

WELFARE AND DEVELOPMENT OF EMPLOYEES

We are committed to making our businesses the most attractive employers in their industries and regions of operation.



OUR FUNDAMENTAL PRINCIPLES

- ◆ Respect and observe human rights
- ◆ Comply with the current labour legislation of Ukraine
- ◆ Provide our employees with good working conditions, competitive salary and social protection
- ◆ Develop the intellectual and skills potential of our employees.

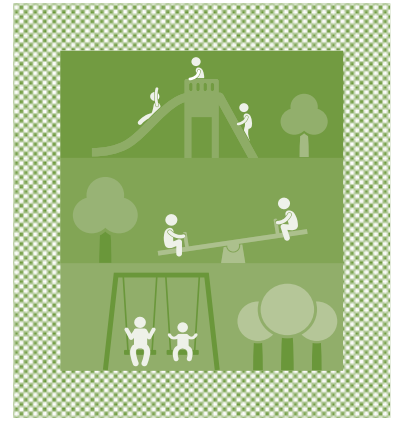


APPROACHES

- ◆ At SCM Group, we respect and observe human rights and freedoms without discrimination of any kind, such as gender, race, nationality, language, age, residence, religion and political opinion.
- ◆ We abide by Ukraine's labour regulations including provision of social benefits to our employees. Alongside the social benefits that we must offer to our employees according to the law, SCM businesses provide additional types of social support.
- ◆ Our companies pay competitive salaries. Our employees receive remuneration for their performance based on their professional qualifications, complexity of the work done and the level of responsibility for the ultimate result.
- ◆ We invest in education programmes for our employees aiming to develop and improve their professional skills.
- ◆ SCM Group takes an active part in educational reform in Ukraine. We make a strong contribution to improving the level of training that Ukrainian graduates receive and ensuring that it meets the needs of the real economy. Our businesses widely cooperate with the universities and vocational schools in Ukraine.
- ◆ We work openly and honestly with trade unions and other organisations selected by our employees to represent their interests.

LOCAL COMMUNITY DEVELOPMENT

Our operations have a significant influence on the national economy, local communities where SCM Group is present and the whole of Ukraine. Our companies seek to create good living conditions in the regions where they operate and contribute to the sustainable development of Ukraine.



OUR FUNDAMENTAL PRINCIPLES

- ◆ We take a whole system approach to the development of our local communities
- ◆ We ensure that SCM Group's social projects and programmes are effective and address important social issues
- ◆ We engage stakeholders including local authorities, residents and NGOs to develop and realise our social projects and programmes.



APPROACHES

- ◆ We help to raise the living standards in the cities and towns where we operate and contribute to the sustainable development of Ukraine through our social projects and programmes. The Social Partnership Programme is our key instrument in this field.
- ◆ All of our initiatives must be based on strong judgement, pursue up-to-date objectives and deliver practical results.
- ◆ To realise our programmes, we cooperate with all stakeholders including local authorities, communities and NGOs.

Our key areas of focus include:

Developing social infrastructure. SCM Group's businesses invest in social infrastructure projects in the regions where they operate.

Education. We aim to make education more accessible and of better quality by improving the facilities of schools and introducing modern curricula.

Healthcare. SCM Group's businesses invest in programmes that improve public health and promote a healthy lifestyle among their local communities and all Ukrainians.

Culture. We support various arts and invest in the preservation and development of Ukraine's cultural heritage.

Sports. We promote a healthy style of living and invest in initiatives to develop active participation in sport.

Environmental culture and energy efficiency. We develop and promote environmental culture in the areas of sustainable use of natural resources, environmental protection and safety.

Local community engagement. We help to develop NGOs and other organisations that work to address social concerns of local communities. We also encourage social activities of local residents and engage with them to develop and implement social projects.

Development of business environment. At SCM Group, we are committed to enhancing the employment level in the regions of our presence and to develop small and medium-sized enterprises. We foster entrepreneurship in the regions where we operate and expand the opportunities for local communities to raise investments. We also help local authorities to develop strategies that diversify the economies of communities where we are present. SCM Group strives to buy products and services from local suppliers where it is economically reasonable.

- ◆ We carry out charitable activities by providing aid to those who need it – socially vulnerable people, children’s institutions, hospitals, NGOs and charitable foundations. In addition, SCM businesses can support the initiatives and projects realised by Rinat Akhmetov Foundation for Development of Ukraine.
- ◆ Our companies sponsor environmental, cultural, sports and other events.
- ◆ SCM Group supports initiatives of our partners by taking part in programmes launched by international, civic and expert organisations.

PROTECTING ENVIRONMENT AND RAISING ENERGY EFFICIENCY

We are committed to making our companies as energy efficient as possible and to minimise their environmental impact.



OUR FUNDAMENTAL PRINCIPLES

- ◆ Use natural resources, including energy, sustainably
- ◆ Minimise and prevent a negative environmental footprint
- ◆ Consider environmental implications when we plan investments and new projects
- ◆ Be open for cooperation on environmental issues with regional governments, NGOs and our local communities.

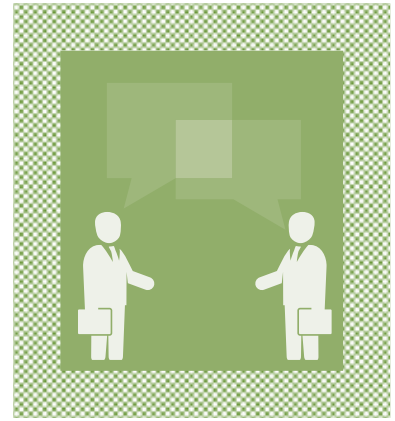


APPROACHES

- ◆ All of our businesses respect national legal environmental standards. Our companies always look for opportunities to introduce efficient and clean solutions as they roll out their investment projects.
- ◆ The industrial businesses of the Group implement extensive investment programmes to modernise their production cycles and cut harmful air emissions.
- ◆ Our industrial companies upgrade their production processes and facilities to use water in the most efficient manner.
- ◆ Our industrial companies are committed to reducing their energy use and introducing energy-saving technologies in their production processes as well as adopting and improving energy management systems in consistency with the international standard ISO 50001.
- ◆ Our industrial companies continuously monitor their environmental footprint.
- ◆ Our industrial companies develop, adopt and regularly improve their environmental management systems in compliance with international standards, particularly ISO 14001.
- ◆ Our industrial companies look for opportunities to generate less production waste and increase waste recycling.

STAKEHOLDER ENGAGEMENT

We believe it is necessary to engage in a constructive dialogue with all stakeholders to jointly address social, economic and environmental issues that are important for the local communities of SCM Group and the whole of Ukraine.



OUR STAKEHOLDERS:

- employees of our companies
- residents of our local communities
- residents of Ukraine
- suppliers and partners
- clients
- government and regulators
- NGOs
- expert centres and think tanks
- business community
- investors and financial institutions
- international organisations
- media
- academia and scientific community.



OUR FUNDAMENTAL PRINCIPLES

- ◆ Take a whole system approach to identify the needs and expectations of our stakeholders, and maintain a direct dialogue with them
- ◆ Be open and transparent at every stage of engagement with our stakeholders
- ◆ Meet our commitments to stakeholders.



APPROACHES

- ◆ At SCM Group, we identify our stakeholders, their interests, expectations and the impact they make on our operations.
- ◆ We are determined to cooperate effectively with our stakeholders. We consider stakeholder interests when we develop and implement our business development strategy, as well as plan and carry out actions in the area of sustainability.
- ◆ We inform our stakeholders about our financial and non-financial performance through a variety of media including financial and non-financial (sustainability) reports of SCM's businesses, official websites, dedicated web platforms, press conferences and direct meetings.

CORPORATE VOLUNTEERING

We encourage and support volunteering activities that our employees take part in. The corporate volunteering programmes at SCM Group make a practical contribution to addressing social concerns. They also help to develop our corporate culture and create conditions for our employees to fully realise their potential.



OUR FUNDAMENTAL PRINCIPLES

- ◆ The corporate volunteering programmes at SCM Group must deliver tangible benefits to their recipients
- ◆ Our employees have equal opportunities to participate in volunteering programmes
- ◆ Our employees take part in the corporate programmes on a volunteering basis
- ◆ Our volunteering activities are free of any charge
- ◆ The activities of a volunteer must not violate the law of Ukraine.



APPROACHES

- ◆ Our employees can engage in volunteering programmes individually, outside the Group's projects, or take part in the initiatives led/joined by SCM Group.
- ◆ Taking part in our corporate programmes is an employee's own personal decision.
- ◆ Our companies develop volunteering programmes to address environmental and social issues and encourage all employees to be active participants.
- ◆ SCM Group offers equal opportunities to our employees to take part in corporate volunteering programmes. Any employee of a company within SCM Group can be a volunteer irrespective of age, gender, employment record or position.
- ◆ Corporate volunteering programmes must be appropriate and contribute to addressing social issues.
- ◆ We choose areas of corporate volunteering through a constructive dialogue with civil society organisations, the expert community and media.
- ◆ Priorities of corporate volunteering programmes can depend on the operations of a particular company within SCM Group, the needs of its local communities or expectations of its stakeholders. The selected initiatives must help to achieve our corporate objectives of improving the living standards of the cities where SCM Group is based.

QUALITY OF PRODUCTS AND SERVICES

Producing quality goods and services that satisfy the expectations and needs of our customers is a primary objective of all companies within SCM Group. We also believe it is important to improve our operations continuously by making new innovative products of better quality and offering modern, user-friendly services.



OUR FUNDAMENTAL PRINCIPLES

- ◆ Make products and provide services in line with key national and international quality standards applied in the relevant markets and industries
- ◆ Control the quality of products at every stage of their life cycle from raw material to the use of end products
- ◆ Implement the best practices and solutions for high quality, safety and efficiency of our production operations
- ◆ Inform our customers honestly and accurately about the properties, content and other significant characteristics of our products and services.



APPROACHES

- ◆ The companies of SCM Group monitor the quality standards on every stage of the production cycle.
- ◆ SCM Group invests in training workers, specialists and managers on how to ensure the consistent high quality of products and services.
- ◆ If necessary, SCM Group certifies compliance of its products with binding and optional Ukrainian standards.
- ◆ Our companies invest in R&D to bring their products closer to the needs of their customers.
- ◆ Our companies regularly study the level of satisfaction of their customers and consumers.
- ◆ Our industrial businesses and companies involve their customers in auditing product quality.

BUSINESS ETHICS AND CORPORATE GOVERNANCE

We aim to be the leading national company that meets the highest international standards of business ethics and global practices.



OUR FUNDAMENTAL PRINCIPLES

In our day-to-day operations, we are committed to the following principles:

- ◆ honesty and good faith in relations within the company
- ◆ integrity in relations with customers and business partners
- ◆ respect for the individual and observance of human rights
- ◆ transparency and openness
- ◆ zero tolerance for bribery and corruption
- ◆ sustainable development and social responsibility
- ◆ legitimacy and the rule of law.



APPROACHES

- ◆ SCM Group has developed a code of values and principles of business ethics, **How We Work**, to guide us in making strategic investments and in our approach to corporate citizenship. The document is binding for all of our employees.
- ◆ The Group has embedded a transparent and clear system of corporate governance that meets the highest international standards.
- ◆ We openly and transparently inform all stakeholders of how our companies operate.
- ◆ SCM Group observes human rights and takes part in international initiatives relating to human rights, labour relations, environment protection and fight against corruption.

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