

CORPORATE GOVERNANCE

ENSURING EFFECTIVE STEWARDSHIP

As a business with global operations, Metinvest seeks to observe international best practice in corporate governance, recognising that this contributes to transparency, accountability and value for all stakeholders.

SYSTEM

Metinvest has established a corporate governance system designed to ensure effective stewardship and is committed to improving it continuously. By focusing on oversight, disclosure and engagement, the Group aims to serve the interests of all stakeholders and further strengthen its reputation in the global investor community.

While being a privately held business, Metinvest recognises the importance of adhering to the highest standards of corporate governance. As such, it strives to work towards implementing best practice in the area.

SHAREHOLDERS

As of 31 December 2018, Metinvest B.V. is owned 71.24% by SCM and 23.76% by SMART. The remaining 5% interest in the form of Class C shares has been acquired from the previous owners of Ilyich Group for the benefit of SCM and SMART. It is the intention of SCM and SMART to dispose of the said 5% interest in due course (after the receipt of respective governmental approvals, if such will be necessary), and in such a manner that the ultimate interest of SCM in Metinvest B.V. shall be 75% minus 1 share, and the ultimate interest of SMART in Metinvest B.V. shall be 25% plus 1 share, thus SCM remaining as the controlling shareholder.

CORPORATE GOVERNANCE STRUCTURE

Metinvest B.V.'s corporate governance structure comprises the General Meeting of Shareholders, Supervisory Board and Management Board. On the Group level, the Executive Committee monitors operations.

GOVERNANCE PRINCIPLES

Metinvest's vertically integrated structure lends itself to clear lines of governance. The Group conducts oversight based on a clear set of core principles that are aligned with its strategic approach. They are:

Specialisation. The Group focuses on the strategic management of mining and steel businesses and strives to excel in doing so. This increases efficiency while enhancing shareholder value and investment attractiveness.

Vertical integration. Metinvest controls all links of the metals and mining supply chain, from extracting coal and iron ore to selling steel products worldwide. This reduces its exposure to market volatility and thus provides greater stability.

Unified strategic management. The Group applies consistent strategic planning and management across all enterprises. This helps to maximise synergies among its businesses and enhances shareholder value.

Centralisation. Metinvest continues to streamline its centralised organisational structure and reduce layers of management. This helps to optimise management costs, unifies business processes and technology and enhances overall efficiency.

Growth and investments. The Group is constantly looking for opportunities that will reinforce the business and its position worldwide.

Global best practices. Metinvest studies best practices in international business, carefully selecting the most effective management, operational and IT approaches for its operations. This helps to maximise returns on investment and compete in the global marketplace.

Tradition and innovation. The Group maintains the best traditions in steelmaking and mining, while seeking to complement them with cutting-edge knowledge and technologies. This helps to improve product quality as much as possible.

Commitment to leadership. Metinvest aims for excellence and fosters leadership among its people. This stimulates long-term growth and maintains a pool of talented leaders.

Personal commitment. The Group promotes a corporate culture based on personal commitment to work. This makes employees responsible for their actions and care for others.

GENERAL MEETING OF SHAREHOLDERS

Under Dutch law and the Articles of Association of Metinvest B.V., the General Meeting of Shareholders is authorised to resolve the following matters, among others: to issue shares; to exclude or limit pre-emptive rights; to acquire shares and to transfer shares in the capital of Metinvest B.V. held by Metinvest B.V.; to reduce the share capital; to determine the remuneration of the Management Board; to adopt the annual accounts; to allocate profits; to amend the Articles of Association; and to dissolve, merge or demerge Metinvest B.V.

SUPERVISORY BOARD

Members: 10 including:
7 representing SCM (Class A members)
3 representing SMART (Class B members)

Decisions relating to the following matters, among others, must be approved or ratified by a resolution of the Supervisory Board: the Group's strategic goals; the Group's investment programme for each calendar year; the Group's annual business plan; appointments at the level of top management, approval of their compensation system and key performance indicators (KPIs), and decisions on

The Supervisory Board's duty is to supervise the activity of the Management Board and the general course of affairs in Metinvest B.V., the Group and the business connected therewith. The Supervisory Board assists the Management Board by giving advice. Four committees assist the Supervisory Board in its work. The Supervisory Board includes four independent members: Stewart Pettifor, Christiaan Norval, Johan Bastin and Natalia Izosimova.

annual bonuses; recommendations to the shareholders relating to the appointment or re-appointment of external auditors, approval of the Group's annual reports and financial statements, and all mergers and acquisitions to be undertaken by the Group; approval of investment projects with budgets over US\$20 million (up to US\$500 million), material transactions of over US\$100 million

(up to US\$500 million), external financing of over US\$30 million, if included in the annual financing programme approved by the Supervisory Board, and any financing transaction regardless of the amount if they are not included; and approval of the annual plan for the Supervisory Board and committees.

STRATEGY AND INVESTMENTS COMMITTEE

Members: 8

The Committee's main responsibility is to conduct reviews and provide recommendations to the Supervisory Board regarding the Group's strategic objectives, including existing and new businesses, investments, mergers and acquisitions. It is assisted by the Technology Sub-committee, which advises and assists the executive management in developing and implementing the Technological Strategy.

AUDIT AND FINANCE COMMITTEE

Members: 4

The Committee is tasked to ensure the ongoing supervision of all aspects of the Group's financial and audit activities in the interests of the shareholders and on behalf of the Supervisory Board. Its main responsibilities include overseeing the budget, financial reporting, risk management, internal controls, the internal audit function and assessment of the external auditor. It is assisted by the Internal Audit Directorate.

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

Members: 3

The Committee's remit is to support the Executive Committee in implementing and maintaining the highest standards of health, labour and environmental safety culture throughout the Group.

APPOINTMENTS AND COMPENSATIONS COMMITTEE

Members: 3

The Committee is responsible for making recommendations to the Supervisory Board on dismissals and new appointments for senior positions within the Group; and on KPIs and annual bonuses for senior management, as well as on the Group's motivation, assessment and reward systems.

MANAGEMENT BOARD

The Management Board consists of two Directors: Director A and the Chief Executive Officer (CEO), who is appointed by SCM, and Director B, who is appointed by SMART. 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.

Director A and the CEO is Yuriy Ryzhenkov, while Director B is ITPS, which is registered in the Netherlands.

EXECUTIVE COMMITTEE

The Executive Committee is responsible for overseeing the day-to-day activities of Metinvest, as well as for implementing the strategic decisions of the Supervisory Board and its committees.