

ENVIRONMENT AND COMMUNITIES

# ENHANCING SUSTAINABILITY

Metinvest has long recognised its symbiotic relationship with the environment and local communities: their wellbeing is a key contributor to the long-term sustainability of the business. In 2018, with a clear CAPEX pipeline and a proven local development model, the Group boosted its environmental and community spending, and continued to promote city development funds as the most effective form of social partnership.

**ENVIRONMENTAL EFFORTS REDOUBLED**

As a significant number of Metinvest’s operating facilities were commissioned in an era before there were any environmental standards, as they are understood today, the Group understands that it still has a significant amount of work ahead to improve its environmental footprint. To address this, it is pursuing a comprehensive asset modernisation programme with two interrelated aims: to mitigate the environmental impact of its operations and to ensure compliance with the most exacting requirements in the area where possible.

A central part of the Technological Strategy 2030, the programme involves upgrading all gas-cleaning, dust-trapping and wastewater processing equipment at major production units, including beneficiation and pelletising facilities, sinter plants, blast furnaces, basic oxygen furnaces and re-rolling mills. Metinvest is aiming to conduct most of the work in the next five to six years by harnessing the latest environmental expertise and technology in Europe and worldwide. Alongside this, in the communities where it operates in Ukraine, Europe and the US, the Group has committed to pursuing environmental improvement initiatives over the long term.

In 2018, Metinvest allocated some US\$263 million for environmental operating and capital expenditure, up 17% year-on-year and the highest level in four years. Importantly, environmental CAPEX reached US\$92 million, the most since 2011, as the Group follows the roadmap of projects outlined in its Technological Strategy 2030.

Several environmental projects were ongoing in 2018. By far the most significant of them is the reconstruction of the sinter plant at Ilyich Steel, for which Metinvest has earmarked spending of around US\$150 million. The work, which represents the largest environmental undertaking in the history of independent Ukraine, began in 2012 and is due to be completed in 2020. One particular milestone in the initiative came during the reporting period, when the Group launched the first phase of new gas-cleaning equipment in April.

A second major environmental project is the replacement of the gas-cleaning units on the Lurgi 552-B pelletising machine at Northern GOK to comply with air pollution limits and improve workplace conditions. Having installed four new filters over 2014-17, Metinvest finished adding the fifth and final one in December 2018, marking the effective completion of the work. Work was also undertaken to replace the gas cleaning units on pelletising machines at Central GOK.

Other environmental accomplishments at metallurgical assets in 2018 included: overhauling the gas-cleaning equipment of the secondary steel treatment facilities at Azovstal’s basic oxygen furnace shop; commissioning a new gas-cleaning system on continuous casting machine no. 4 at Ilyich Steel; reconstructing the gas-cleaning equipment in the foundry at Mariupol Machining and Repair Plant; and completing extensive maintenance on the oven chambers at Avdiivka Coke and Zaporizhia Coke.

As at the end of the reporting period, the Group had 10 entities certified as compliant with the ISO 14001 environmental standard. Metinvest is undertaking steps to obtain certification for the remaining enterprises and expects to complete this process in the next few years.

**SOCIAL PARTNERSHIPS INCREASED**

The Group recognises that being a prominent player in the global steelmaking industry involves a responsibility to demonstrate leadership as a corporate citizen in both Ukraine and all countries where it operates. To this end, it intends to focus on improving the environmental and social conditions in local communities by implementing initiatives that will have the maximum positive effect.

Throughout the 12 years of its existence, the Group has worked to develop the residential areas around its enterprises, including by modernising urban infrastructure, healthcare and educational facilities. To underpin such projects, it has engaged with international donors and introduced modern formats of partnership with local residents, small and medium-sized businesses and authorities. In times of acute need, such as emergency situations, it has also provided prompt and effective humanitarian support.

Metinvest views its social initiatives as strategic, long-term investments intended to ensure the sustainable development of the towns, cities and regions where it is present. One key reason for this is that its enterprises are often the main employer and economic anchor in their communities, which creates a close, symbiotic relationship.

In 2018, the Group spent around US\$13 million on community projects, up 53% year-on-year, working with stakeholders to target initiatives that will bring meaningful benefit to local residents and their families.

One key focus in the year was expanding the social partnership programme by increasing cooperation with city development funds that act as non-government urban development agencies. This approach to community work represents an important breakthrough, as it allows various strategic partners – such as the municipal administration, US Agency for

International Development, UNICEF, the European Bank of Reconstruction and Development and other prominent organisations – to engage jointly in funding larger, longer-term projects. Building on the success of the infrastructure modernisation and social support efforts with the Mariupol Development Fund, the Group strived to promote such funds as the most effective form of social partnership in Zaporizhia and Kryvyi Rih.

In 2018, Metinvest’s continued cooperation with the Mariupol Development Fund saw the completion of 34 projects, including rehabilitating public spaces, building and modernising academic facilities, and providing modern new equipment for medical centres.

Together with the Joint Action Platform in Zaporizhia from September, the Group plans to improve municipal infrastructure, reform educational programmes, develop public institutions, sponsor cultural and sport events, and support healthcare initiatives. Metinvest also began a partnership with the Foundation of the Future agency in Kryvyi Rih in November, creating a fairly extensive list of potential initiatives.

In addition, the Group continued to develop other forms of cooperation with communities to engage residents in identifying the most useful social initiatives. Examples of longstanding community programmes that Metinvest devised are the ‘We Improve the City’ contest in Mariupol and ‘We are the City’ in Zaporizhia, which are held each year. In 2018, Metinvest sponsored and helped to implement 11 projects in Mariupol and 73 in Zaporizhia. In Kryvyi Rih, the new

‘FestMetinvest’ competition was also developed and launched, large-scale sporting and educational events were held; and another new programme for the ‘ClassMetinvest’ schools was implemented, supporting 29 projects in the city and the Shyrokyivsky district of Dnipropetrovsk Region in 2018.

In Avdiivka, the Group helped to renovate the infectious disease ward in the central municipal hospital, repair local schools and preschools, and purchase a municipal bus. In Novhorodske, a project aimed at providing the town with independent energy sources and an improved municipal heating system was completed, as a result of which some 200 apartments and six social facilities were connected to individual heating systems.

Another important aspect of Metinvest’s community development drive is ‘Green Centre’. Initially established to unite the Group and local residents in several Ukrainian cities in projects to landscape and remove waste from urban spaces, the initiative has since expanded into other areas of environmental and community development. In 2018, Metinvest held around 1,000 environmental events as part of the ‘Green Centre’ initiative in Mariupol and Kryvyi Rih, and expanded this campaign to Zaporizhia.

Alongside this, the Group continued to roll out an educational initiative called ‘Green Plant’ in Mariupol, which aims to raise environmental awareness through its centres using bespoke study material. Elsewhere, Metinvest piloted a project to organise the collection of separated waste at schools in the city.

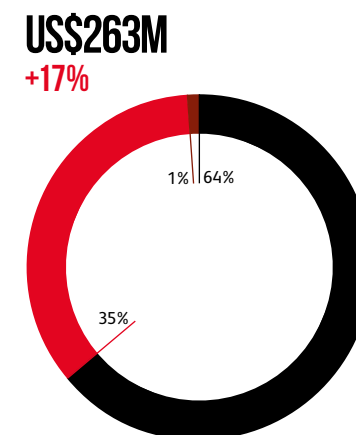
**OUTLOOK**

Having committed to environmental improvement measures over the long term, Metinvest will continue to prioritise work in this vital area in 2019, through the next decade and beyond. Environmental initiatives planned for the year include replacing the remaining cyclones in sintering and cooling zones of Ilyich Steel’s sinter plant, as well as testing and commissioning the gas-cleaning unit on Northern GOK’s Lurgi 552-B pelletising machine now that all filters have been replaced. The Group will also continue to renovate existing gas-cleaning systems and install new ones at its blast furnaces at the Mariupol steelmakers and with partners at the Zaporizhstal joint venture.

Metinvest has proven its community development model for strategic cooperation with communities, local authorities and non-governmental organisations via city development funds and will press ahead with its work in this area, bringing together all stakeholders to jointly implement larger projects in Mariupol, Zaporizhia and Kryvyi Rih. The Group will also continue other social partnership programmes to make a lasting positive impact in its communities.

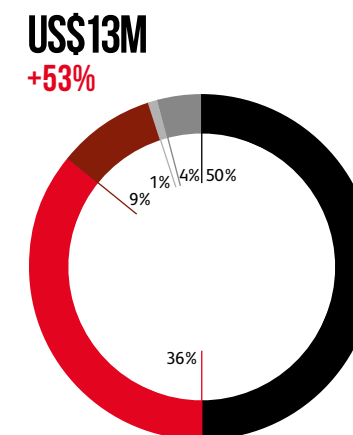
In 2019, Metinvest plans to publish its regular Corporate Social Responsibility Report for 2017-18, prepared in accordance with the international Sustainability Reporting Guidelines of the Global Reporting Initiative and the principles of the UN Global Compact, as part of its general commitment to transparency and accountability to stakeholders.

Spending on environment



- Operating expenses
- CAPEX
- Environmental measures

Spending on communities



- Social partnership programme
- Mariupol Development Fund
- Green Centre
- Development of children and youth football
- Benevolence