

HUMAN RESOURCES

RETAINING TALENT IS KEY

In 2018, Metinvest focused on retaining its core workforce and attracting new talent in the face of major changes caused by the opening of neighbouring labour markets to Ukrainians. The Group addressed this by implementing a differentiated remuneration policy, improving working conditions, developing career and growth opportunities, and tailoring its social programmes.

ADAPTING TO LABOUR MARKET TRENDS

The negative trend in migration remained an issue in Ukraine in 2018, as professionals and skilled workers continued to go abroad in search of new job opportunities in European Union countries, likely due to the relaxation of visa requirements for Ukrainians working there. This negative trend is exacerbated by the ageing population and general disinterest in manual labour among young people. Ukrainian companies have been forced to adapt to this new reality to compete for workers. As one of the largest employers in Ukraine, Metinvest cannot avoid the impact of these factors and has had to accept the challenge.

From an HR perspective, one of the Group's highest priorities has been to manage the situation to ensure that it had enough qualified and experienced staff for all critical production stages to avoid unplanned stoppages. As evidenced by the Group's flat year-on-year total headcount of 66,000 employees, Metinvest effectively managed to retain key personnel and quickly fill vacant positions.

One aspect of Metinvest's solution was to implement a differentiated remuneration policy that varies depending on qualification, experience and the amount of training required to fulfil a given role.

As such, Metinvest increased wages and salaries at its Ukrainian assets twice in 2018 following the performance appraisal, after having already done so in 2017 (the average pay raises for production staff were 25% in April 2018, 10% in October 2018 and 5% in October 2017, in addition to an average raise of 15% to all employees in June 2017). Consequently, the average monthly salary climbed by 23% year-on-year to US\$720 per month in 2018, compared with US\$584 a year earlier. Importantly, by using this differentiated approach, the Group was able to hike the salaries of its key engineering staff by 47%.

IMPROVING THE VALUE PROPOSITION

In 2018, the Group updated its approach to non-material motivation to restrain the outflow of employees and attract new talent. This included optimising working conditions, developing career and growth opportunities, and tailoring its social programmes.

Metinvest continuously studies the needs and opinions of its employees using personnel engagement surveys, which it has been conducting since 2012. These help the management to identify areas for improvement. Based on such findings, in 2018, Metinvest enhanced the social benefits package that it offers without substantially increasing the overall amount of social expenses incurred. The Group now provides individual benefits packages within which employees can choose

the various components that matter most to them, in line with global trends in non-monetary remuneration.

In addition, Metinvest changed the medical insurance package that it offers its staff, expanding the list of services they can receive at private health facilities and providing access to a greater choice of medicines.

Overall, the Group increased the CAPEX programme for workers' amenities four-fold to US\$7 million in the reporting period. This included capital investments into around 240 facilities, such as dining rooms, canteens, changing rooms, meeting rooms and other amenities.

Another initiative is focused on modernising the remaining health resorts and other recreational facilities that Metinvest maintains, and the Group is analysing feedback from employees to advance further in this area. Notably, the capacity utilisation of these amenities has reached around 90%, making more efficient use of these assets.

In 2018, Metinvest also introduced a new policy to support personnel rotation, which is aimed at enabling its people to grow and share their knowledge and expertise. It is expected that this experience will help in retention.

STRIVING FOR BEST-IN-CLASS HR PRACTICES

To bolster Metinvest's safety initiatives, the HR function offers training in risk assessment and first-aid delivery in the workplace. In addition, as corporate citizens, the Group provides first-aid training to family members of its employees and students in the regions where it operates.

Metinvest is modernising and digitalising several business processes, which make the HR function more efficient and help to share data across the Group. During the reporting period, Metinvest Digital helped to introduce digitalised performance appraisal and goal-setting at the management company and two Mariupol steelmakers. Besides this, administrative processes for staff appointments and determining compensation and benefits were automated. The HR function expects this process to continue in line with the Group's overall digitalisation strategy.

In 2018, Metinvest created a shared HR service, which applies unified standards to provide services to employees of all its enterprises and improves the productivity of HR personnel. This initiative aims to significantly reduce the average amount of time that it takes to provide various HR services, including obtaining personal data, documents and advice related to personnel administration, compensation, benefits and organisational planning, in addition to offering

some cost savings. By the end of 2021, the HR function plans to have the shared service cover all the Group's Ukrainian assets.

Metinvest Group provides equal opportunities to all employees, regardless of gender, age and other social factors. Introducing robotic and automated technologies to production processes and reducing the physical burden on staff have made it possible for women to do jobs that were previously considered too physically demanding. For example, in the past, only men were hired to operate dump trucks because of the physical strength required to steer them. The modern heavy-duty vehicles that Metinvest is purchasing for its mining assets as part of the investment programme do not require such physical exertion to steer, which is helping the Group to eliminate the gender barrier in the field. The benefits of increasing the number of female professionals in the steel and mining industries are underestimated and Metinvest will work further to effect positive change in this area.

CONTINUOUS LEARNING

Continuous learning is a core element of Metinvest's HR efforts. For all levels of workers, for example, the Group organises various training programmes depending on their position: using machines and simulations to teach new hires how to use equipment safely, and developing floor supervisors' managerial skills, among others. As a result of these efforts, a total of 90,278 professional training sessions and courses were delivered to the Group's employees in 2018, up 18% from 76,667 in 2017. More than 14,000 of these training sessions were conducted for managers, including such traditional programmes as 'Management DNA'. New offerings have also been introduced, such as 'Change management', 'Emotional leadership and stress management', 'Creating effective teams using the Adizes Methodology', 'Developing successors for general directors' and 'Public presentations – Leader's influence tools'.

Training for members of top management focuses on innovation and change management, which includes tailored coursework with top international experts on the topics. This approach to continuous learning provides senior managers with the opportunity to explore and find novel solutions for complex business goals.

SECURING THE FUTURE

In order to meet the future demand for new employees, the HR function is also working to make Metinvest even more attractive to young people, including by implementing a cooperation programme with higher education institutions, in line with a long history of working closely with top institutions for the steel industry, engineering and business, both in Ukraine and internationally.

The Group collaborates with educational institutions of various levels in the cities where it operates. For younger children, it organises activity groups at summer camps to teach about metals and mining using games, as well as visits to its facilities. For those in grades 9-11, Metinvest offers support programmes aimed at helping students to identify their preferred educational institution, profession and position within the Group.

For those at university, Metinvest provides work placements, offering the most talented performers the opportunity of paid employment on graduation. In 2018, around 27% of the 3,269 students who completed internships at the Group's enterprises received jobs at Metinvest, compared with 16% of the 3,741 students in 2017.

Metinvest also initiates and assists the state in revising educational standards to meet modern production requirements. Since 2015, the educational standards for the 41 most popular professions have been revised, six of which were developed during 2017-18.

OUTLOOK

The HR function aims to further improve the employee value proposition, as Metinvest believes that the better employees feel, the better they perform. As part of these efforts, the Group continues to review salaries in 2019 and is revising its approach to remuneration for each blue-collar profession.

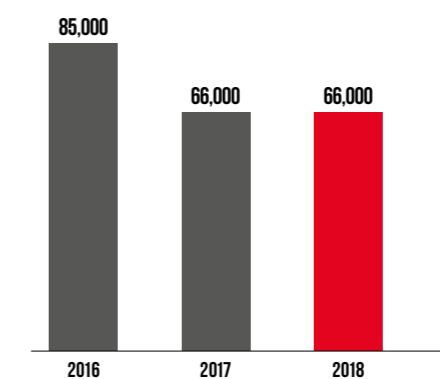
The plan is to equalise the salary levels of workers with the same level of qualification and experience within each profession. In cases where an employee currently receives less than the average salary designated for their profession, their base salary will be increased to the new average level. To further motivate working personnel throughout the year, monthly additions to the base salary will be introduced. The size of this incentive may reach up to 25% of monthly salary, depending on the results of the previous year's annual performance appraisal. This approach seeks to make the remuneration system for these professions more transparent and straightforward.

Retaining existing skilled employees and attracting young people to join Metinvest will remain vitally important to the Group. In addition to its remuneration efforts, Metinvest is rethinking its training and development approach to cover all employee levels, across the whole hierarchy, to solve most technical challenges using its own resources. Technical training and development will help the Group to implement its Technological Strategy 2030, as well as to optimise its operations, including by improving the productivity of maintenance and repair personnel.

Lastly, the Group will also implement a new motivation and incentive system to support its safety culture and will conduct new training sessions on risk assessment and first-aid delivery.

Employee headcount

66,000 EMPLOYEES



Management trainings

14,497 TRAININGS

