

CORPORATE GOVERNANCE OVERVIEW

STRIVING TO MEET THE HIGHEST STANDARDS

Metinvest has worked since its founding to build lasting corporate governance institutions to provide for effective governance of the Group, ensure the interests of all stakeholders are represented and provide transparency when working in international financial markets. This approach makes the Group more open and efficient to manage and provides all current and potential partners with confidence in Metinvest's integrity and sustainability as a business.

CORPORATE GOVERNANCE SYSTEM

Metinvest has established a corporate governance system designed to ensure effective stewardship and works continuously to improve its institutions in line with best international practices. By focusing on oversight, disclosure and engagement, the Group aims to serve the interests of all of its stakeholders and further strengthen its reputation in the global investor community.

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

SHAREHOLDERS

As at 31 December 2019, Metinvest B.V. was owned 71.24% by SCM (Class A shares) and 23.76% by SMART (Class B shares). 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.

PRINCIPLES OF MANAGEMENT

Metinvest's vertically integrated structure and business model lends itself to clear lines of governance and accountability that cascade down through various levels of the organisation. The Group conducts oversight based on a clearly established 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.

CORPORATE GOVERNANCE STRUCTURE

Metinvest B.V.'s corporate governance structure is built in accordance with and in compliance with Dutch laws.

It comprises the General Meeting of Shareholders, Supervisory Board and Management Board. On the Group level, the Executive Team supports operations.

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.

In 2019, the General Meeting of Shareholders discussed and took decisions on a wide range of matters, including but not limited to: approval of financial statements and related resolutions; attracting external financing; acquisitions, disposal and liquidation of companies; and appointment of securities account managers.

SUPERVISORY BOARD

The Supervisory Board has 10 members, including:

7 A-Members appointed by the Class A and Class C shareholders

3 B-Members appointed by the Class B shareholder

A member of the Supervisory Board is appointed for an indefinite period of time, unless otherwise specified in the decision concerning their appointment.

Each member of the Supervisory Board may be suspended or dismissed at any time by the same body that has the right to appoint them.

Suspension may be extended one or more times, but in general it cannot last more than three months. If, at the end of the period, a decision has not been made to terminate the suspension or to dismiss them, the suspension shall end.

The Supervisory Board includes four independent members, who are deemed independent within the meaning of the Dutch Corporate Governance Code 2016.

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.

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 annual bonuses; the appointment of an independent external auditor; approval of the annual consolidated financial statements of Metinvest B.V. and recommendation to the shareholders on approval of the stand-alone financial statements of Metinvest B.V. 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; approval of the annual plan for the Supervisory Board's activities; and approval of the regulations of the committees of the Supervisory Board.

In 2019, the Supervisory Board convened a total of 22 times and discussed and took decisions on a wide range of matters, including: annual business planning; investment projects; the financial statements for the 12 months ended 31 December 2018 and the six months ended 30 June 2019; the annual report for 2018; the appointment of an independent external auditor for the 2019 financial year; the compliance programme; external financing; material transactions; mergers and acquisitions; health, safety and the environment; performance appraisals; remuneration; and other material corporate events.

CORPORATE GOVERNANCE OVERVIEW CONTINUED

COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES

	Status	Class membership	Independent	Strategy and Investments Committee	Audit and Finance Committee	Appointments and Compensations Committee	Health, Safety and Environmental Committee
Oleg Popov	Chairman	A		M		M	
Alexey Pertin	Deputy Chairman	B		C		M	
Stewart Pettifor	Member	A	✓	M			C
Christiaan Norval	Member	A	✓	M		C	
Johan Bastin	Member	A	✓	M		M	
Natalia Izosimova	Member	A	✓			C	M
Damir Akhmetov	Member	A		M			
Gregory Mason	Member	B		M			M
Mikhail Novinskii	Member	B		M		M	
Yaroslav Simonov	Member	A				M	

M Member C Chair

STRATEGY AND INVESTMENTS COMMITTEE

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 management in developing and implementing the Technological Strategy 2030.

In 2019, the Strategy and Investments Committee convened a total of six times and discussed the following matters, among others: macroeconomic and industry trends; anti-dumping risks; operations and development programmes; energy efficiency projects; the capital investment programme and its projects; the quality management system; business planning; and mergers and acquisitions.

During the reporting period, the Technology Sub-committee convened a total of eight times and discussed the following matters, among others: the overall capital investment programme and individual projects; the management of strategic projects; environmental obligations; tailings facilities; and external benchmarking results.

AUDIT AND FINANCE COMMITTEE

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.

In 2019, the Audit and Finance Committee convened a total of seven times and discussed the following matters, among others: management reporting; internal audit reporting; external auditor selection for the 2019 financial year; audit strategy; the financial statements for the 12 months ended 31 December 2018 and the six months ended 30 June 2019; the annual report for 2018; the compliance programme; bond issuance; material transactions; working capital management; tax issues; and the effects of GDPR on Metinvest.

APPOINTMENTS AND COMPENSATIONS COMMITTEE

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, reward systems and succession planning.

In 2019, the Appointments and Compensations Committee convened a total of six times and discussed the following matters, among others: performance evaluations; compensation packages; approaches to motivation systems; the staff engagement survey; procurement staff rotation principles; personnel training system approaches; approaches to sharing best practices in HSE, project management and knowledge management; internal communications strategy; PR and external communications strategy; employer brand development strategy; HR functional development approaches; payroll and administrative expenses; and the regional development programme.

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

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

In 2019, the Health, Safety and Environmental Committee convened a total of four times at plant facilities. The Committee discussed the following matters, among others: site visits to the Group's facilities; incidents investigations; revising the health and safety management system, including the Group's new roadmap covering this area; environmental management strategy and projects; and tailings storage.

MANAGEMENT BOARD

The Management Board consists of two Directors: Director A is appointed by the joint meeting of holders of Class A shares and holders of Class C shares. Director B is appointed by a meeting of holders of Class B shares. Under Dutch law, the Management Board is responsible for the management of Metinvest B.V. Under its Articles of Association, Metinvest B.V. may only be represented by the entire Management Board (i.e. Director A and Director B, acting jointly). In performing their duties, the Directors must act in the best interests of Metinvest B.V. and its business. The Articles of Association of Metinvest B.V. do not determine a specific term of office for members of the Management Board.

Director A and the CEO is Yuriy Ryzhenkov. Director B is ITPS (Netherlands) B.V., a legal entity registered in the Netherlands.

EXECUTIVE TEAM

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

EXECUTIVE PERFORMANCE EVALUATION AND REMUNERATION

The Supervisory Board annually sets team goals for the senior management, as well as personal goals for the CEO, who cascades them down to each individual on his team in accordance with their job functions, subject to approval of the Supervisory Board.

These goals are incorporated into a KPI scorecard, where each target is weighted based on the ability of the manager to influence its achievement. In addition, a Health and Safety Trigger was introduced as a supplemental incentive tool for members of the Executive Team in 2019.

After the year-end, the Supervisory Board conducts the annual performance appraisal for members of the senior management based on their self-assessment.

The aggregate amount of current salaries and related bonuses paid by Metinvest to the Executive Team totalled US\$15.0 million in 2019, compared with US\$15.3 million in 2018.

Contracts with members of senior management do not provide for any pension or other benefits upon termination of service.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Metinvest maintains worldwide directors and officers (D&O) liability insurance for Group entities, which is renewed on an annual basis. This type of insurance covers the liability of everyone who is appointed as a director and/or officer of a Group entity, including, but not limited to, members of the Supervisory Board, Management Board and the Executive Team. D&O liability insurance provides cover for financial losses and legal expenses resulting from claims made against directors and/or officers arising from an actual or alleged wrongful act committed in their capacity as directors and/or officers. The D&O liability insurance outlines key areas of coverage: management liability cover, pre-claim insurance cover, special excess protection for directors cover, company securities liability cover and additional extensions.

Metinvest relies on well-known global insurance brokers to arrange D&O liability cover, which is provided by reputable, international insurers. The total limit of insured liability under the D&O policy programme amounts to US\$100 million on each claim and in the aggregate.

