

ENSURING A GREENER FUTURE

Metinvest recognises the growing concern about environmental issues among stakeholders and worldwide. In this light, it has made environmental investment an integral part of the Technological Strategy 2030, while focusing on programmes to reduce resource consumption and protect the ecosystems surrounding its facilities.

A CLEAR AGENDA

Metinvest's strategic priority is modern, energy-efficient and environmentally friendly production, which has a clear investment case and moral basis.

As part of the global community, and given Ukraine's increasing integration with Europe, Metinvest understands that its Ukrainian operations need to exceed the local environmental standards. This is why it strives to adhere to international requirements, including measuring its carbon footprint in accordance with European standards.

The Group is working to consistently achieve incremental reductions in pollutant emissions, modernising production assets and introducing new technology. A central part of the Technological Strategy 2030 involves upgrading all gas-cleaning, dust-trapping and wastewater processing equipment at major production units, including beneficiation and roasting machines, sinter plants, blast furnaces, basic oxygen furnaces and re-rolling mills.

EFFECTIVE OVERSIGHT

Metinvest's environmental impact management approach is outlined in its Policy and Principles in the Field of Health, Safety and the Environment. As part of a proactive commitment to high environmental standards and incident prevention, all projects are assessed for their potential impact. While the Group understands that environmental protection is every employee's responsibility, it also recognises that managers must play the leading role.

At the highest level of Metinvest's corporate governance, the Supervisory Board's Health, Safety and Environmental Committee provides strategic oversight of the Group's environmental investments, as well as its regulatory compliance and risk management involving ecological factors. The Strategy and Investments Committee also considers the potential impact of the future investments under its CAPEX programme.

Metinvest's senior management and general directors of its assets regularly meet with community leaders and voluntary organisations to discuss environmental concerns. The Group also participates in the World Steel Association's Environment Committee, to contribute its experience and learn and share global best practices for the industry.

UNDERSTANDING OUR IMPACT

For all primary sources of emissions, maximum permitted levels of pollutants have been set and recorded in the air emission permits. Metinvest employs automated environmental monitoring systems and specialist laboratories to ensure compliance with these levels and identify any problems at the earliest possible stage. Equally, the Group closely monitors electricity and natural

gas consumption and implements energy efficiency initiatives.

Metinvest's assets use water to enrich ore, as well as to cool equipment and finished products, and its policies require the conservation and optimal use of water resources. In order to use water as rationally as possible, the Group has a pipeline of new projects to modernise wastewater treatment facilities at its assets, recycle water used in technological processes and re-use mining and wastewater.

Metallurgical and mining operations inherently create industrial wastes. These wastes are deposited in specially designated areas that are regularly monitored. To minimise the space occupied for storing waste and maintain the rational use of mining allotments, Metinvest thickens waste, converts overburden rock into crushed stone and uses slag in road construction, among other initiatives.

MEASURING OUR PERFORMANCE

The Group's key assets regularly verify the adherence to ISO 14001 through certification and audits. As at the end of the reporting period, 15 of Metinvest's enterprises had certified their environmental management systems as compliant with the latest requirements of the ISO 14001:2015 international standard. In addition, seven of the Group's assets have certified their energy efficiency management systems as compliant with the ISO 50001:2011 international standard.

In 2019, Metinvest reduced its direct greenhouse gas (GHG) emissions by 10% year-on-year to 8.8 million metric tonnes of CO₂ equivalent, calculated for each asset in line with methodologies imposed by local authorities. This was primarily due to alterations in blast furnace

utilisation at Azovstal, as well as the shutdown of blast furnace no. 3 at Ilyich Steel and coke chambers at coke producers for major overhaul.

The Group recycled and reused 80% of the total volume of water withdrawn from all sources during the reporting period, including previously recycled water, up from 78% in 2018. Metinvest's energy efficiency initiatives also led to total energy savings of 4.6 petajoules, up 22% year-on-year.

INVESTING IN EFFICIENCY

In 2019, the Group increased total environmental spending to US\$384 million, up 46% year-on-year. Of this amount, US\$155 million was allocated for capital expenditures and US\$229 million for current and other expenditures. In 2019, it completed or reached significant milestones on several major, multi-year environmental projects.

Following the closure of the sinter plant at Azovstal in 2012, Metinvest began to reconstruct the one at Ilyich Steel to further lower emissions. With total investments slated at around US\$150 million, this is the largest environmental project in the history of independent Ukraine. The upgraded system for cleaning sinter gases will help to reduce emissions of dust by as much as 90% and of sulphur oxides by up to 42%. The Group made steady progress in 2019 and aims to complete it by the end of 2020.

In 2019, Metinvest completed the modernisation of several dedusting and gas cleaning systems, as well as the overhaul of the sewage system at Ilyich Steel. At Azovstal, the Group rebuilt blast furnace no. 3, along with the reconstruction of the hot metal desulphurisation unit and a major overhaul of coke oven battery no. 1. Extensive maintenance was conducted at oven chambers of Avdiivka Coke and Zaporizhia Coke.

The Group is carrying out two significant projects designed to reduce its consumption of energy resources and improve energy efficiency.

Ilyich Steel is building a new unit to utilise blast furnace gas, which is currently flared, to generate electricity supplies, thus reducing the need to buy power on the market. Meanwhile, Azovstal is carrying out a comprehensive analysis of the plant's by-products to identify opportunities to recover and utilise energy sources.

Northern GOK advanced its project to replace the gas cleaning facilities of the Lurgi 552-A roasting machine. Central GOK proceeded with maintenance of the tailing storage facilities and carried out related work on the water supply and slurry pipelines.

OUTLOOK FOR 2020

Metinvest is working to reduce its greenhouse gas emissions, improve water resource management and minimise the volume of wastes generated.

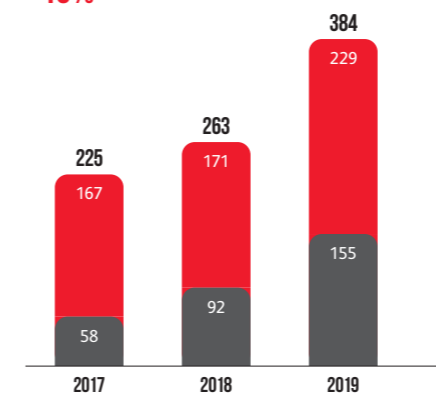
The Group remains firm in its commitment to the environmental agenda and has ring-fenced the green projects being implemented at its assets in 2020. This includes energy efficiency programmes aimed at reducing consumption of electricity, natural gas and water resources, which decrease emissions while also lowering costs.

Among the key initiatives for the year, Ilyich Steel will work to finish the sinter plant reconstruction and upgrade its blast furnace gas cleaning facilities. Azovstal will focus on the ongoing reconstruction of the basic oxygen furnace shop's gas cleaning system. Northern GOK will continue to replace the gas cleaning equipment on the Lurgi 552-A roasting machine.

Spending on environment

US\$384M

+46%

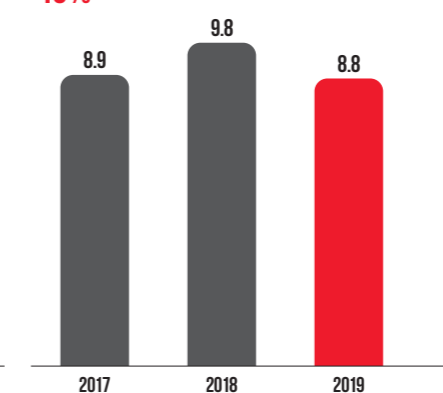


■ CAPEX
■ OPEX and other

GHG emissions in CO₂ equivalent

8.8MT

-10%



Share of recycled and reused water

80%

+2PP

