

Ensuring rigorous oversight

Metinvest recognises that impeccable business conduct is a fundamental requirement for industry leadership. Since its establishment almost 15 years ago, the Group has worked progressively to develop a corporate governance system that ensures rigorous oversight and meets the standards set by international best practice.

CORPORATE GOVERNANCE SYSTEM

Metinvest has established a corporate governance system designed to ensure effective stewardship and works continuously to keep its institutions in line with international best practice. 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 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 2020, Metinvest B.V. was 71.24%-owned 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 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.

GOVERNANCE PRINCIPLES

Metinvest's vertically integrated structure and business model lend themselves 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, vertical integration, unified strategic management, centralisation, growth and investments, global best practices, tradition and innovation, commitment to leadership, personal commitment.

CORPORATE GOVERNANCE STRUCTURE

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

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 2020, the General Meeting of Shareholders convened 38 times and 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; establishment, acquisition, disposal and liquidation of companies;

optimisation of the Group's corporate structure; appointment of securities account managers; approval of material transactions; and changes in the composition of the Supervisory Board.

SUPERVISORY BOARD

The Supervisory Board has ten members, including:

- seven A-Members appointed by the Class A and Class C shareholders
- three B-Members appointed by the Class B shareholders

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'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 Strategy and Investments Committee; the Audit and Finance Committee; the Appointments and Compensations Committee; and the Health, Safety and Environmental Committee.

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 standalone 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 2020, the Supervisory Board convened 27 times and discussed and took decisions on a wide range of matters, including: annual business planning; investment projects; the financial statements; the annual report; the appointment of an independent external auditor; the compliance programme; external financing; material transactions; mergers and acquisitions; the establishment of an educational institution; health, safety and the environment; performance appraisals; remuneration; and other material corporate events.

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, while 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 be represented by the entire Management Board only (that is, 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. After the end of reporting period, in May 2021, Eliza Désirée den Aantrekker was appointed as Director B in place of ITPS (Netherlands) B.V.

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.

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.

In 2020, the Strategy and Investments Committee convened three times and discussed the following matters, among others: macroeconomic and industry trends; operations and development programmes; energy efficiency projects; the capital investment programme; the quality management system; product strategy in the iron ore segment; and business planning.

During the reporting period, the Technology Sub-committee convened four times and discussed the following matters, among others: the overall capital investment programme and individual projects; environmental agenda; tailings facilities; operational improvements' programme; digital transformation of the Group's assets; pellet development strategy; use of artificial intelligence to control the heat balance of blast furnaces; and complex automation of blast furnaces.

AUDIT AND FINANCE COMMITTEE

The Committee is tasked with ensuring the ongoing supervision of all aspects of Metinvest'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 2020, the Audit and Finance Committee convened 11 times and discussed the following matters, among others: management reporting; internal audit reporting and strategy; external auditor selection for the 2020 financial year; the financial statements for the 12 months ended 31 December 2019 and the six months ended 30 June 2020; the annual report for 2019; the compliance programme; bond issuance and other external financing; material transactions; working capital management; tax issues; ESG matters; and the development status of Metinvest Business Services.

APPOINTMENTS AND COMPENSATIONS COMMITTEE

The Committee is responsible for making recommendations to the Supervisory Board regarding dismissals and new appointments for senior positions at Metinvest; KPIs and annual bonuses for senior management; and the Group's motivation, assessment and reward systems and succession planning.

In 2020, the Appointments and Compensations Committee convened six times and discussed the following matters, among others: performance evaluations; the transformation of the top management motivation system; payroll and headcount budgeting; the integrated internal and external communications system; strategic initiatives for Metinvest's sustainable development; digital transformation; and the development strategy of Metinvest Business Services as the Group's shared service centre.

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 business.

In 2020, the Health, Safety and Environmental Committee convened four times. It discussed the following matters, among others: COVID-19 situation updates; the status of the health and safety roadmap implementation; incident investigations; environmental safety reports; environmental management strategy and projects; and tailings storage.

EXECUTIVE PERFORMANCE EVALUATION AND REMUNERATION

The Supervisory Board annually sets team goals for senior management, as well as personal goals for the CEO, who allocates them to each member of the Executive 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 a manager's ability to influence its achievement. In addition, a Health and Safety Trigger acts as a supplemental incentive tool for members of the Executive Team.

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

In 2020, the Group paid US\$14.6 million in current salaries and related bonuses to the Executive Team, compared with US\$15.0 million in 2019.

Contracts with members of the 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 all entities, renewing it annually. This type of insurance covers the liability of everyone appointed as a director and/or officer of a Group entity, including, but not limited to, members of the Supervisory Board, Management Board and 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. Key areas of cover include management liability, pre-claim insurance, special excess protection for directors, company securities liability and additional extensions.

Metinvest relies on global insurance brokers to arrange D&O liability cover, which is provided by reputable, international insurers.

COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES

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

M Member

C Chairperson