RESPONSE TO CLIMATE CHANGE

PREPARING FOR THE FUTURE

Metinvest acknowledges the significance of climate-related matters in shaping its strategic direction and future development. Taking into account the relevance of this topic to the Group's stakeholders, Metinvest is introducing more detailed reporting practices covering this area.

GENERAL APPROACH

This disclosure marks Metinvest's inaugural effort to align with the Task Force on Climate-related Financial Disclosures guidelines. Recognising the profound challenge climate change represents, the Group realises the importance of reducing its carbon footprint. This initiative reflects Metinvest's dedication to environmental stewardship and addresses stakeholders' increasing demands on this matter.

In alignment with the Paris Agreement[1], adopted in December 2015, which aims to limit the global temperature increase to well below 2°C and to pursue efforts to restrict the growth to 1.5°C, Metinvest understands the need for global coordination and the industrial sector's critical role in this endeavour. It also recognises the imperative of transitioning towards more sustainable business processes to mitigate climate-related challenges.

In 2023, in an effort to adhere to and align with the best global practices and to provide an assessment of climate-related risks and opportunities, Metinvest engaged an external expert. This collaboration was guided by the TCFD's four pillars: Governance, Strategy, Risk Management, and Metrics and Targets.

The assessment confirmed that Metinvest has a universal and solid governance structure. Also, the analysis performed led to the identification of key recommendations for effective climate stewardship, the development of a structured approach to managing climate risks and opportunities, and the evaluation of physical and transition risks under various scenarios. These recommendations are being considered for implementation in 2024, after the reporting period.

The initial reporting efforts have been focused on the Governance, Strategy, and Risk Management components of the TCFD recommendations, prioritising them as essential to establishing a robust framework for climate-related financial disclosure and risk oversight.

In addition, the dynamic landscape of the related corporate disclosures necessitates ongoing scrutiny and adaptation.

Operating within diverse legal jurisdictions, Metinvest undertakes to continuously improve its reporting, ensuring alignment with international best practices, as well as existing and upcoming regulatory requirements[2].

[1] Paris Agreement (unfccc.int)
[2] Task Force on Climate-Related Financial Disclosures (fsb-tcfd.org)

GOVERNANCE

Metinvest has a universal model of corporate governance featuring a two-tier board structure (for more details, please see pages 56-57).

In 2024, after the reporting period, the Group adopted a climate governance structure that is currently in the process of implementation.

The Management Board of Metinvest B.V., supported by the Group's executive team, forms the core of the climate governance system responsible for identifying, evaluating, managing and developing mitigation strategies for climate-related risks and opportunities.

The Investment Committee is a governance body established at the level of the executive team, headed by the CEO, and responsible for managing Metinvest's investment process. It is to be particularly central to coordinating climate issues throughout the Group to ensure effective management of climate risks and opportunities.

In its performance, the Committee will be supported by:

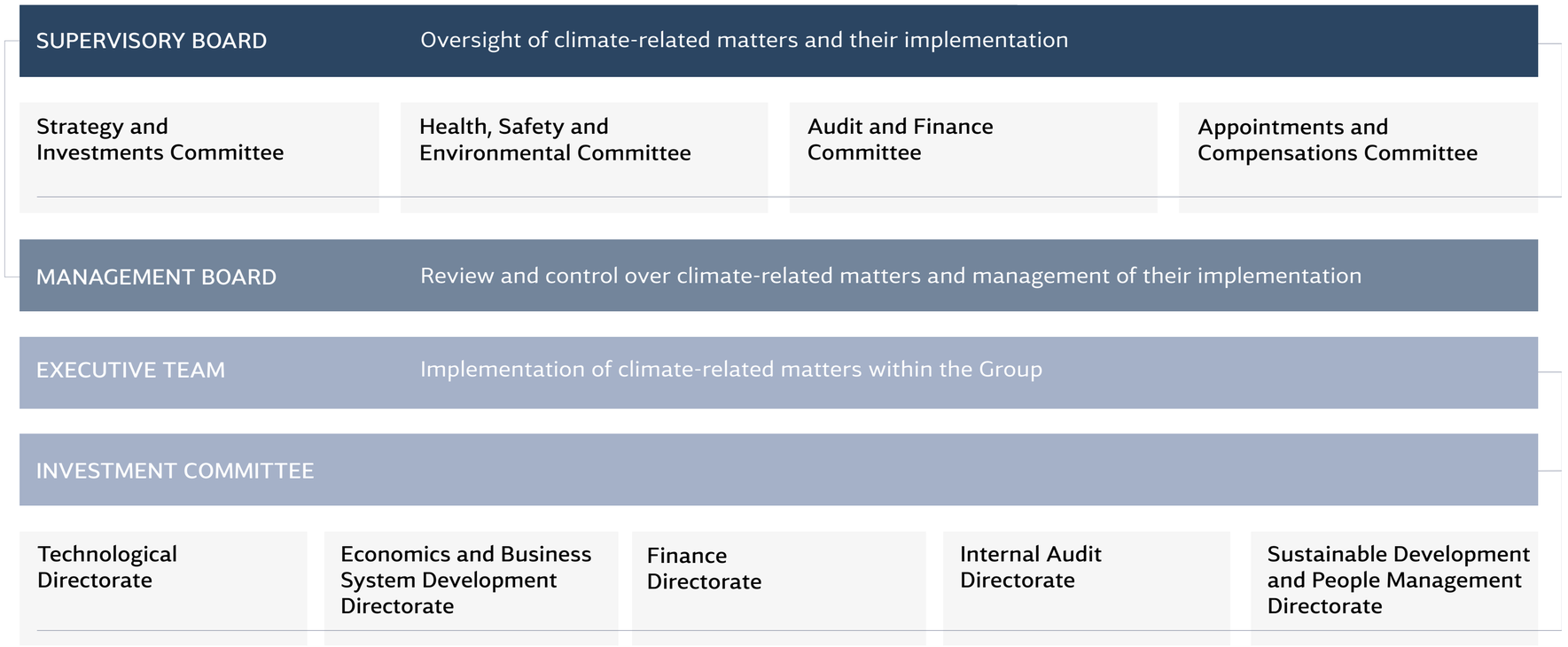
- The Technological Directorate is to be instrumental in identifying climate risks and opportunities across the Group and evaluating non-commercial risks (for more details regarding Metinvest's approach to managing non-commercial and commercial risks, please see pages 68-69), as well as developing mitigation strategies for material climate risks.
- The Economics and Business System Development Directorate is to be responsible for evaluating commercial climate risks and managing the capital investment programme, considering climate-related risks and opportunities.
- The Finance Directorate is to incorporate impact assessments into the financial statements, as well as handle public disclosures of climate risks and opportunities.
- The Internal Audit Directorate is to monitor climate-risk evaluations to ensure that they are methodologically consistent with the Group's overall risk assessment framework.
- The Sustainable Development and People Management Directorate is to ensure that the management is appropriately motivated to consider climate-related matters in performing their professional duties.

The Supervisory Board and its committees are expected to provide strategic oversight over climate-related issues and ensure that they are an intrinsic part of the Group's business model and strategy.

The specific responsibilities of the Supervisory Board's committees in this area are based on the following:

- The Strategy and Investments Committee will ensure integration of climate change issues and decarbonisation into the Group's overall strategy.
- The Health, Safety and Environmental Committee will oversee assessment of climate risks and opportunities, and review the climate-risk mitigation strategy.
- The Audit and Finance Committee will monitor the impact of climate risks and opportunities on financial reporting and budgeting.
- The Appointments and Compensations Committee will be responsible for incentivising the CEO and top management, fostering accountability at the highest executive levels.

CLIMATE GOVERNANCE STRUCTURE



STRATEGY

Metinvest seeks to address climate risks within the risk management framework, described on page 68, considering the unique characteristics of its assets.

For the purpose of understanding climate-related challenges, the Group's strategic approach is primarily based on the scientific research conducted by global climate authorities.

CLIMATE SCENARIOS

The TCFD recommends the use of climate models as tools to identify and assess how various combinations of physical and transition climate-related risks may affect a company and its financial performance.

The Group believes that scenario analysis helps it to understand the risks and uncertainties it may face under varying hypothetical futures and how those conditions may affect its performance, therefore contributing to the development of greater strategic resilience and flexibility.

Physical climate risk scenarios

For assessment of physical risks, Metinvest has considered three climate scenarios adopted by the Intergovernmental Panel on Climate Change (IPCC)[3] and described in the chart below. These capture widely accepted climate pathways for global warming to the end of the current century.

The scenario with the highest physical risks – The Representative Concentration Pathway (RCP) - RCP 8.5 – was chosen as the basis for the assessment of such risks by the Group, given that this pathway includes the most severe weather events. To reduce uncontrollable variables, it was assumed that all operating assets of the Group as at the report's release date would not be materially affected by the full-scale war in Ukraine.

Under this scenario, the following parameters are outlined:

- emissions continue to increase throughout the century; the overall emissions in 2100 amount to 3.5 times more than the 2000 level
- the global population reaches 12 billion by the end of the century
- energy consumption continues to grow, reaching three times more than the level of 2023
- oil and thermal coal consumption continues to increase.

Transition climate risk scenarios

Transitioning to a lower-carbon economy may entail extensive policy, legal, technological and market shifts to address mitigation and adaptation requirements related to climate change.

Climate transition scenarios enable companies to develop strategic plans that are flexible and resilient to a range of variables. These are climate projections specifically tailored to reflect certain assumptions, inputs or parameters chosen to address particular research issues. The Group analysed the World Energy Outlook (IEA)[4], Network for Greening the Financial System (NGFS)[5], IRENA (International Renewable Energy Agency)[6] and PRI (Principles for Responsible Investment)[7] scenarios as the basis for the transition climate risk assessment. For more details, see the chart below.

After reviewing the scenarios described above, Metinvest chose to apply synthesised scenarios, tailored to adjust variables and assumptions from the different global climate authorities mentioned in the report. They are designed to meet the needs of the Group in assesing the impact from transition climate risks while pursuing Paris Agreement goals.

SYNTHESISED TRANSITION SCENARIOS

Net Zero

A blend of the NEA's Net Zero Emissions and NGFS Net Zero 2050 scenarios. Under this customised scenario, global warming is limited to 1.5°C through stringent climate policies and innovation, reaching global net zero CO_2 emissions around 2050.

Announced Pledges

A blend of the IEA Announced Pledges and NGFS NDCs scenarios. Under this customised scenario, all current announced energy and climate commitments will be implemented, limiting temperature increases to below 2°C by 2100.

[3] IPCC — Intergovernmental Panel on Climate Change
[4] World Energy Outlook 2023 – Analysis - IEA
[5] NGFS
[6] IRENA – International Renewable Energy Agency
[7] PRI | Home (unpri.org)

PHYSICAL SCENARIOS

METRICS UNTIL 2100	RCP2.6 SCENARIO	RCP4.5 SCENARIO	RCP8.5 SCENARIO
Description	Peak in radiative forcing at ~ 3 Watt/m² before 2100 and decline	Stabilisation without overshoot pathway to 4.5 Watt/m² at stabilisation after 2100	Rising radiative forcing pathway leading to 8.5 Watt/m² in 2100
Warming projections, °C	0.3 to 1.7 (mean 1.0)	1.1 to 2.6 (mean 1.8)	2.6 to 4.8 (mean 3.7)
Sea level rise projections, meters	0.26 to 0.55 (mean 0.40)	0.32 to 0.63 (mean 0.47)	0.45 to 0.82 (mean 0.63)
Severity of extreme weather events	Small	Moderate	Large
Scenario narrative	Highest transition risks, lowest physical risks	Moderate transition risks, moderate physical risks	Lowest transition risks, highest physical risks

TRANSITION SCENARIOS

PROVIDER	IEA	NGFS	IRENA	PRI
Description	The IEA developed the WEO. It is used as the most authoritative source of analysis and projections.	The NGFS scenarios take into account the latest economic and climate data, model versions and policy commitments.	IRENA's scenario is designed to provide insights into the opportunities and challenges associated with a global energy transition towards renewable sources.	PRI scenarios were developed by an international group of institutional investors reflecting the increasing relevance of ESG issues to investment practices.
Scenarios	· Net Zero Emissions by 2050 (NZE) · Announced Pledges · Stated Policies	· Net Zero 2050 · Divergent Net Zero · Below 2°C · Delayed Transition · NDCs · Current Policies	· 1.5°C Scenario	· Required Policy Scenario (RPS) · Forecast Policy Scenario (FPS)
Warming projections, °C	1.5 / ~1.7 / ~2.5	1.5 / <2 / 2.6 / >3	1.5	1.5 / below 2

CLIMATE RISKS

Climate-related risks are broadly divided into two categories: physical risks posed by the changing climate; and transition risks posed by the need for companies to address mitigation and adaptation requirements.

Physical risks

Physical risks emerging from climate change can result from event-driven (acute) or longer-term (chronic) shifts in climate patterns.

The Group identified the following physical risks that may be relevant for its business: average temperature increase, wildfires, storms, floods, droughts, changes in precipitation, extreme temperatures, landslides, winds and a sea-level rise.

Considering the geographic location of Metinvest's assets, the assessment found that the forecast changes in physical climate indicators were insignificant under the RCP 8.5 scenario according to the credible climate models.

A qualitative and quantitative assessment of physical climate risks for Metinvest indicates that their financial consequences are expected to be immaterial even under the most aggressive climate change scenario on the horizon by 2050.

For a detailed description of climate-related physical risks with the highest probability of occurrence, refer to Annex 3.

Transition risks

The Group identified a number of transition risks, such as increased pricing of greenhouse gas emissions under the EU and Ukrainian emissions trading systems; the Carbon Border Adjustment Mechanism introduction by the EU for imported goods; higher raw materials costs; changing customer preferences for low-carbon products; restricted access to capital; costs for transition to lower emissions technology; and low demand for coking coal products. The assessment is still ongoing at the time of writing this report.

For a detailed description of the climate-related transition risks with the highest probability of occurrence, please see Annex 3.

CLIMATE OPPORTUNITIES

Climate-related opportunities are associated with efforts to mitigate and adapt to climate change.

Diversified resource base

Given the global transition to low-carbon-emission technologies, the demand for raw materials for green steel production is expected to grow over time.

Metinvest's in-house iron ore mining and processing facilities present significant opportunities to expand output of DR-grade pellets in the medium term, as well as hot briquetted iron (HBI) and direct reduced iron (DRI) in the long term. In particular, Central Iron Ore is already capable of producing pellets of a high-grade quality.

Diversifying the Group's business activities can support its shift towards less carbon-intensive production methods. This could include the supply of green steel to align with customers' sustainability goals.

Circular economy

Recycling offers a more sustainable resource base for steelmakers, enabling the reuse of by-products from the metals industry. This approach helps to mitigate climate change risks, although it may require additional capital expenditures.

Metallurgical waste (waste rock, metallurgical slag or pickling sludge) is used to reduce the consumption of certain types of construction materials (such as utilising crushed rock for road repair and construction).

Also, the Group is substituting iron ore raw materials with in-house generated scrap in its steelmaking process, reducing the carbon emissions.

For more details, pease see the Environment section of the report.

RISK MANAGEMENT

In 2024, after the reporting period, Metinvest designed an approach for integrating climate risks into the Group's overall risk management system that is being currently implemented. Metinvest recognises these risks as external factors that could impact its strategy, business model and performance.

For the purpose of climate risk assessment, the Group will apply uniform principles and its internal categorisation of risks as commercial or non-commercial. For more details regarding risk management practices, see the Risk Management section of the report.

The management outlined the following stages as part of Metinvest's climate-related risk management structure:

Stage 1. Identification
Identification of possible climate risks and opportunities for the Group.

Stage 2. Assessment
Differentiated assessment of commercial and non-commercial climate risks and opportunities.

Stage 3. Prioritisation
Prioritisation of climate-related risks.

Stage 4. Mitigation
Development of measures to mitigate material climate risks.

Stage 5. Implementation
Implementation of plans in relation to climate risk management.

Stage 6. Process review
Revision of processes for the identification, assessment and prioritisation of climate risks and opportunities.

Stage 7. Reporting
Public disclosure and reporting.

Stage 8. Monitoring
Assessment of measures implemented to mitigate material climate risks.

METRICS AND TARGETS

Regular monitoring of climate-related metrics, including but not limited to GHG emissions, is essential for evaluating Metinvest's performance in addressing climate change. The Group strives to enhance the transparency of its climate-related data, although considerable constraints are in place due to the full-scale war in Ukraine.

Metinvest has demonstrated a solid track record in its disclosures of key environmental metrics. Since 2021, the Group has reported its CO_2 emissions in compliance with Ukraine's law "On the Principles of Monitoring, Reporting and Verification of Greenhouse Gas Emissions". It calculates direct Scope 1 CO_2 emissions from stationary sources using the entire carbon balance at an installation's input and output points. This approach aligns with the one adopted by the EU, making the Group's CO_2 reporting and intensity benchmarks comparable with those of EU-based peers. While Metinvest was not obliged to report the CO_2 data according to this law until 2022, the Group reassessed the historical figures for 2018-2020 and published them in 2021 to ensure transparency and comparability.

The Group also calculates direct Scope 1 CO_2 emissions from mobile sources, indirect Scope 2 CO_2 emissions and carbon intensity associated with its electricity purchases under the Greenhouse Gas Protocol.

For more details about Metinvest's most recent performance on key climate-related metrics, refer to pages 47-48.

To address the potential impact of climate change risks, Metinvest was developing a long-term decarbonisation roadmap prior to the full-scale war. This task has been postponed due to the invasion. The decarbonisation journey of the Group's Ukrainian assets will need to be reviewed comprehensively once the war is over and its impact is assessed.

While significant investments cannot be made at present in Ukraine, the Group is focused on the following areas of development for the future: improving the quality of its iron ore products and shifting to proven and prospective low-carbon emission technologies used in steel production, such as electric arc furnaces and smelters, based on low-carbon raw materials and energy sources. Also, the Group is developing a steel production project in Italy with advanced low-carbon emission technology. For more details, please see page 49.

Metinvest remains committed to its green steel future. For example, in June 2023 the Group joined the Ukrainian government's platform for the green recovery of the national steel sector. The memorandum of partnership was signed at the Ukraine Recovery Conference held in London. It draws attention to the topic with an aim to engage a broader circle of interested stakeholders.