



## SUPPLY CHAIN MANAGEMENT

# DYNAMIC AND RESPONSIVE

Metinvest demonstrated its resilience in managing the supply chain amid significant challenges and emerging opportunities. The Group's adaptation of logistics and procurement strategies helped it to maintain a continuous flow of raw materials, solidifying its steadfast position in a fluctuating global landscape.

### A FLEXIBLE APPROACH

Metinvest's supply chain encompasses the purchase of raw materials, goods and services, as well as the procurement, production, marketing and distribution processes. The Group has a procurement management system in place to govern areas such as supplier selection and contract administration.

At the executive team level, Metinvest's procurement function is managed by a number of teams. The Commercial Directorate, in addition to sales, is responsible for procurement of such strategic goods as raw materials, fuel and energy. Other critical purchases are overseen by the Operations Directorate. Other directorates are responsible for procuring relevant products and services.

At the entity level, each production asset has a planning and analysis service, as well as procurement, supply and warehousing. The supply departments of the iron ore assets are part of the Group's shared service centre, which integrates their day-to-day procurement. It also centralises Metinvest's routine procurement operations, including contracting activities, invoice management and supplier pre-qualification support. In 2023, the pre-qualification processes for all Ukrainian assets of the Group were fully integrated into the shared service centre's procurement function.

To foster equitable commercial relationships, Metinvest's Code of Business Partnership delineates explicit standards of compliance that align with sustainable practices and the business needs of both current and prospective suppliers. Its key principles are respect and focus on cooperation, workplace safety, environmental protection, information confidentiality, compliance with the law and the Code of Ethics, as well as social responsibility.

The Group's Procurement Policy and Regulation on Procurement Management guide the internal procedures related to this area. The Procurement Policy is grounded in the principles of ethical business conduct, free competition among suppliers, information transparency, partnership, economic feasibility and efficiency, as well as prioritisation of direct producers. The Regulation on Procurement Management specifies requirements for supplier verification, tender participants' rights and obligations, and business rules, among other matters.

In addition, Metinvest's Procedure for Procurement of Materials and Resources aims to strengthen oversight of the planning, procurement and supply of materials.

To track compliance with its guidelines, in 2023 Metinvest conducted audits to monitor and evaluate its supply chain performance. For example, the Internal Audit Directorate reviewed Kamet Steel's procurement service to improve the efficiency of obtaining services from third parties. An internal audit also assessed the administrative staff's workload across some of the Group's assets to further streamline procurement processes.

**SUPPLIER SELECTION**

Metinvest is committed to advancing practices in supply chain management that are sustainable and requires its suppliers to embrace the same principles.

The Group expects its counterparties to comply with all applicable legislation, including those that cover child labour, minimum living wages, maximum working hours, freedom of association and the right to collective bargaining for their employees.

To ensure fair and transparent procurement processes, a Tender Committee consisting of at least three members from different departments evaluates offers received based on approved criteria such as price, quality, delivery and payment terms. Metinvest publishes information about major future tenders on its website a minimum of three days in advance and uses the SAP Ariba digital solution for secure and efficient communication with bidders. In 2023, Metinvest reduced the standard time for certain tender procedures to adequately address urgent procurement requests and the need for on-site procurement.

To foster long-lasting partnerships with its suppliers and business partners while promoting the highest standards of ethical conduct, the Group uses pre-contract and pre-qualification procedures to identify potential partnership risks. It also checks suppliers of services related to hazardous work to comply with health and safety requirements and verify that they have the necessary qualifications and licences.

Metinvest reserves the right to disqualify suppliers for a specified period or indefinitely if they engage in unfair business practices with its companies. The disqualification criteria are available on the Group's website. It informs counterparties of the reasons and terms of their disqualification to give them the opportunity to receive feedback and improve their corporate governance as necessary.

In 2023, Metinvest conducted almost 7,400 pre-contract assessments and more than 5,600 pre-qualification reviews. Through these processes, it selected 166 new suppliers and disqualified 95 candidates.

The Group also screens suppliers and their products to prevent or mitigate corruption risks and non-compliance with international obligations and sanctions. Suppliers that do not pass the compliance screenings are not eligible to participate in the procurement process.

**LOGISTICS**

Metinvest-Shipping oversees logistics for the Group's major assets in the EU and Ukraine, managing the full scope of the logistical chain, including road transport, rail transport, transshipment in ports, and vessel chartering under the strategic guidance of the executive team.

Logistics operations are handled by the Commercial Directorate for expeditious management and consolidation, proper communication and reorientation to appropriate markets.

In 2023, Metinvest's logistics function continued to ensure delivery of products to its customers and raw materials to its production assets, maintaining uninterrupted operations.

During the year, the Group's key developments in this area included expanding the capabilities of the supply chains and avoiding disruptions in transportation or transshipment. Its practices in this field continued to be guided by the key priorities of cost optimisation and risk management.

**ADAPTING TO CHANGE**

In the first half of the year, Metinvest relied primarily on overland rail routes to supply Ukrainian products to customers in nearby European countries, as well as to the seaports in the EU to ship goods to more distant export markets. In addition, to ensure efficiency for deliveries to some destinations in the EU and the MENA region, the Group used Ukraine's IZMAIL and RENI ports on the Danube River.

The resumption of commercial navigation from Ukrainian Black Sea ports late in the year marked a breakthrough, enabling global shipments from Ukraine and significantly relieving constrained land-based routes. This development permitted Metinvest to resume more efficient deliveries of iron ore and steel products all over the world.

The Group was the first shipper to use this navigation corridor to reintroduce large vessels into operations at Ukraine's Pivdennyi port and has been involved in an initiative to rebuild specific infrastructure objects to further streamline associated logistics.

Meanwhile, Metinvest's US asset has been working closely with railroad and port operators to address coking coal delivery issues. United Coal has invested in its own trucking fleet to partially mitigate the risks associated with reducing the availability of third-party providers.

On a separate note, in response to market developments, Metinvest diversified its supply base, securing new sources of coke and ferroalloys essential for crude steel production. For example, after the loss of coke supplies from Avdiivka, the Group expanded agreements with suppliers in Poland, ensuring a supply of critical raw materials. Also, Zaporizhstal mastered production of slabs, which are being used by the Group's Italian re-rollers as feedstock.

Additionally, the Group revised other key aspects of its approach, such as significantly increasing the volume of repair and maintenance work performed in-house, providing services to key production assets of Metinvest in Ukraine. It developed core capabilities in this area within the assets of Zaporizhia Casting and Mechanical Works, 99.72% of which were acquired in March 2023. This reduced Metinvest's reliance on external service providers, enhancing both operational resilience and cost efficiency.

Towards the year-end, road border disruption on the Polish side presented further challenges, increasing delivery times for most imported spare parts. The Group addressed this by rerouting some material deliveries through alternative countries and shifting others to rail transport.

The operating environment also necessitated significant adaptations in the Group's sales strategies. Metinvest not only found new customers but also reestablished relationships with those previously lost due to the war. These measures helped to stabilise revenue streams and expand market reach during a period of uncertainty.