



RISK MANAGEMENT

A COMPREHENSIVE APPROACH

In 2023, Metinvest remained committed to robust risk management amid the ongoing war, emphasising adaptability and strategic foresight. The Group’s holistic framework for this aspect of the business helped to steer it through war-related risks.

RISK MANAGEMENT PRACTICES

Metinvest’s core risk management principles are outlined in its Internal Audit Policy, which incorporates the strategic guidance of the ISO 31000:2018 Risk Management standard. The internal regulations covering dedicated functions also integrate specific risk management aspects related to their business processes, which helps the executive team to make their decisions using the risk-based approach.

Internally, Metinvest distinguishes risks into two main categories: commercial and non-commercial. Commercial risks, which can be quantified, directly relate to the product and financial flows from operations, as well as to investments in tangible and intangible assets. Non-commercial risks are all other risks not classified as commercial.

The Group delineates the primary roles and responsibilities for risk management. All functional directorates are responsible for assessing relevant risks. The task of evaluating and monitoring commercial risks falls to the Economics and Business System Development Directorate. The Internal Audit Directorate holds the responsibility for oversight of non-commercial risks. It also submits the results of the overall risk assessment to the Supervisory Board’s Audit and Finance Committee.

Metinvest strives to be proactive in identifying and evaluating the principal risks that impact its operations and financial performance. It integrates these risks within its business planning processes and formulates strategies to mitigate their impact.

In these ongoing efforts, the Group continued to evaluate commercial risks by examining the sensitivity of expected or planned EBITDA to various risk factors. This approach fostered adaptability and agility in the face of the changing risk landscape associated with the war.

For the effective mitigation of non-commercial risks, management employs a corporate framework designed to evaluate their probability and potential impact. Also, in 2023, Metinvest launched a new initiative to devise metrics for evaluating the efficiency of non-commercial risk management and the controlling of costs. This provided senior management with enhanced insights into the current state of risk management systems, enabling prioritisation of goals and objectives.

RISK MANAGEMENT STRUCTURE



**SUSTAINABILITY RISK MANAGEMENT**

Ongoing oversight of sustainability risks is essential for maintaining the efficiency of the Group's sustainable development approach. The table presented on this page outlines the underlying causes of each risk and the corresponding mitigation actions implemented.

Metinvest's approach to managing climate-related risks is presented on page 54.

MANAGING RISKS RELATED TO WAR

Throughout 2023, while navigating the second year of the full-scale war in Ukraine, Metinvest continued to apply rigorous risk management strategies to address first-tier risks (outside management's control) and mitigate second-tier risks (related to the normal course of business).

The Group's risk management strategy remained grounded in a risk-oriented, decision-making approach at all levels of management. Core war-related concerns included:

- preserving the safety and well-being of those working within territories affected by hostilities
- organising and providing humanitarian aid to local communities
- determining the optimal use of production capacities
- adapting the logistics model
- conducting essential asset maintenance
- ensuring steady utility supplies
- overseeing financial flows

In the unstable business environment of 2023, Metinvest's flexible approach continued to enable the Group to make critical decisions without requiring fundamental changes to the underlying risk management methodology. During the reporting period, Metinvest conducted regular assessments of identified war-related risks to ensure their relevance and update mitigation measures accordingly.

KEY SUSTAINABILITY RISKS AND MITIGATION EFFORTS IN 2023

RISK AND ITS DESCRIPTION	MEASURES TO MINIMISE RISKS
WORKPLACE SAFETY <ul style="list-style-type: none"> • Workplace injuries and fatalities 	<ul style="list-style-type: none"> • Safe Workspace programme • Projects related to certain critical risk factors under the safety roadmap • Health and safety training and incentive tools for employees • Safety assessment of contractors involved in hazardous work • Trust Line to raise workplace issues
ENVIRONMENTAL ISSUES <ul style="list-style-type: none"> • Environmental impact of the Group's operations, including air emissions, wastewater discharges and waste generation 	<ul style="list-style-type: none"> • Measures to exclude and reduce impact due to shelling of assets in Ukraine • Monitoring compliance with regulatory requirements • Initiatives to improve energy efficiency • Trust Line to raise environmental concerns • Implementing technical measures to reduce environmental impact • Increasing consumption of reused and recycled water • Recycling and reusing production waste • Application of precautionary principle when planning investment projects
CLIMATE CHANGE <ul style="list-style-type: none"> • Impact on business sustainability 	<ul style="list-style-type: none"> • For details, please see page 50.
BUSINESS ETHICS AND COMPLIANCE <ul style="list-style-type: none"> • Fraud and corruption • Conflicts of interest 	<ul style="list-style-type: none"> • Adherence to the Code of Ethics and Code of Business Partnership • Trust Line and incident investigation • Mandatory verification of suppliers and customers for anti-corruption controls • Internal security screenings for all senior and high-risk positions • Administration of declarations • Declarant training • Procedural changes
COUNTERPARTY SANCTIONS RISKS <ul style="list-style-type: none"> • Regulatory penalties and operational disruptions due to non-compliance • Reputational damage 	<ul style="list-style-type: none"> • Monitoring legislative changes in key jurisdictions • Compliance function approval for new counterparties with regard to imposition of sanctions • Verifying and blocking transactions with sanctioned or high-risk counterparties • Checking whether counterparties conduct business with or are registered in sanctioned or high-risk territories • Trust Line to raise counterparty risks
INFORMATION SECURITY <ul style="list-style-type: none"> • Losses due to critical information leaks • Critical equipment or process interruption due to information system failure 	<ul style="list-style-type: none"> • Organisational and technical actions to protect personal data • Analysis of IT infrastructure security • Measures for safe remote work • Training and testing IT user skills to prevent phishing attacks