ANNEX 3 – ADDITIONAL INFORMATION ON TCFD DISCLOSURES

Physical risks

TYPE	RISK	DESCRIPTION
Acute	Floods due to heavy precipitation	Increased precipitation may lead to additional volumes of water collecting at the open pits and could require expenditures on equipment and energy to pump the water out. It may also disrupt the Group's logistics.
Chronic	Average temperature increase	Temperature changes as a result of long-term shifts in climate patterns can impact the productivity of Metinvest's employees working outside, as well as increase electricity consumption for cooling facilities and processes.
Acute	Droughts	Droughts may limit the Group's water supply, affecting operations reliant on ample water supplies by disrupting production processes. However, Metinvest's production assets are mainly located in close proximity to cities, where exposure to droughts is equal to zero according to the UNCCD Drought Toolbox.
Chronic	Change in average precipitation and groundwater levels	Increased precipitation in some regions of Ukraine and the US (where Metinvest's assets are located) may lead to additional volumes of water collecting at the open pits. It may require expenditures on equipment and energy to pump the water out and to prevent floods. In addition, reduced precipitation in the areas where the Group's Bulgarian and Italian assets operate may lead to lower availability of water supplies.
Acute	Storms	Storm frequency and intensity could potentially have direct or indirect impacts on Metinvest's operations, including across crucial logistics hubs, threatening the Group's value chain.

Transition risks

TYPE	RISK	DESCRIPTION
Policy and legal	Increased pricing of GHG emissions	Enhancement of the EU ETS and the gradual reduction of free allowances starting from 2026 with expected growth of carbon pricing could impact the financial performance of the Group's assets in the EU. It is also expected that the implementation of the ETS in Ukraine may increase production costs and decrease profitability of products made in Ukraine.
Policy and legal	CBAM	CBAM may affect profitability for carbon-intensive businesses by adding a tax on products supplied to the EU from 2026, when the gradual withdrawal of free allocations is expected to start. It could impact the business activities of Metinvest, leading to lower margins. CBAM currently covers six types of the Group's product exports to the EU.
Technological	Costs to transition to lower emissions technology	Movement towards circular economy practices with the ultimate goal of transitioning to lower emissions technology and increased demand for steel produced with a lower carbon emissions footprint requires significant investments to shift from the BF-BOF production route to low-carbon technologies such as DRI-EAF. This transformation would also require Metinvest to improve the quality of its iron ore products.
Market	Increased cost of raw materials	Rising carbon prices, following increased demand for low-carbon products, are likely to lead to an increase in costs of raw materials. The expanding demand for scrap due to the accelerated transition to green steel production may lead to higher scrap prices and shortages. These changes may also affect the quality and availability of other essential resources.
Market	Changing customer preferences to low-carbon products	An increase in positive sentiment towards green steel from consumers assumes an associated growth in demand for climate action transparency. Customers may request Metinvest to adhere to low-carbon standards because of new product regulations. A failure to adjust to customer preferences could cause the Group to lose customers from the regions demanding low-carbon products and face heightened scrutiny.
Market	Restricted access to capital	Growing positive sentiment towards green steel from investors and creditors, backed by tighter climate regulations, could increase capital costs, impact the capital structure or limit access to financing. Also, the credibility of the decarbonisation plan could affect the Group's ESG ratings.
Market	Lower demand for coking coal products	The Group's performance could be impacted by reduced market demand for carbon-intensive products, including coking coal, due to the energy transition and resulting substitution of the fossil fuel by renewables and/or lower-carbon energy sources and accompanying changes in coking coal market dynamics due to reduced demand from the steel industry.