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 (unless delayed or abolished) 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 (unless delayed or abolished), when the gradual withdrawal of free allocations is expected to start. It could impact Metinvest's business activities, 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	Besides the rise in coal-related material costs due to increased carbon pricing, the shift to low-carbon technologies and electric metallurgy as the nearest medium-term solution will also drive up costs due to higher demand for scrap. To address this issue, Metinvest is considering natural gas and hydrogen-based DRI production as a long-term strategy to mitigate scrap shortages and avert the risk of rising coal-related material costs.
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, as well as face heightened scrutiny.
Market	Restricted access to capital	Due to the substantial interest in green steel from investors and creditors, coupled with stricter climate regulations, the capital costs, capital structure and access to financing for conventional BF-BOF steel production routes might be affected. Furthermore, the credibility of the decarbonisation plan could impact the Group's ESG ratings.
Market	Increased energy prices	Energy prices might increase due to the higher carbon cost of fossil fuel electricity generation and the surge in natural gas prices. Metinvest considers transitioning to widely adopted renewable energy sources, both internally and as part of the energy mix portfolio, as a viable solution for the medium and long term that will help to minimise the burden on the end consumer. Shifting to plant biomass as a substitute for natural gas might significantly reduce dependence on natural gas and decrease carbon costs in the medium and long term.