

SUPPLY CHAIN MANAGEMENT

ADDING VALUE TO OPERATIONS

In 2021, Metinvest worked diligently to enhance its supply chain management practices. The size of the Group's operations, its sustainable principles and ethical standards allow it to engage reliable suppliers of key raw materials.

A RESPONSIBLE APPROACH

GRI 102-9; 102-10; 103-3; 204-1

Metinvest adheres to the principles of responsible and effective supply chain management and complies with applicable legislation in this area. Its supply chain includes the purchase of raw materials, goods and services, and covers the procurement, production, marketing and distribution processes. The Group's procurement management system oversees processes such as supplier selection, contract administration, shipment monitoring and product quality control. In 2021, the respective function worked to ensure the efficient and seamless supply of all required inputs and services.

To ensure compliance with its governing principles, Metinvest conducts audits to monitor and evaluate performance in this area. In 2021, the Internal Audit Directorate and SCM conducted a joint procurement audit. Their report included recommendations for the executive team about supply chain efficiency improvements.

The vertical integration of the Group's supply chain was enhanced during the reporting period. In particular, in March 2021, Metinvest consolidated Pokrovske Coal, which improved its self-sufficiency in coking coal. In August 2021, through the consolidation of steelmaking capacities in Kamianske, the Group secured intragroup supplies of square billets for Promet Steel.

In addition, to standardise and ensure greater efficiency of the day-to-day procurement operations of its iron ore assets, the Group centralised them in a shared service centre through Metinvest Business Services in 2021.

By supporting local contractors, Metinvest strives to maximise its contribution to the economic development of the countries where it operates. In particular, in the reporting period, more than 70% of raw materials, goods and services purchased in Ukraine came from local suppliers, which are defined as third parties that provide raw materials and supplies to the Group and are registered and operating in Ukraine.

PROCUREMENT PRACTICES

GRI 103-2; 205-2

Recognising that procurement is an integral supporting activity of its business, Metinvest has internal regulations in place to ensure smooth and efficient operations.

For example, through the [Code of Business Partnership](#), adopted in 2021, the Group aims to establish fair commercial relationships by setting clear standards of compliance with sustainable practices and business requirements to guide both existing and potential suppliers. The key principles of the Code of Business Partnership include respect and focus on cooperation, occupational health and safety, environmental protection, information confidentiality, compliance with the law and the Code of Ethics, as well as social responsibility.

The internal procedures related to this area are governed by Metinvest's Procurement Policy and Regulation on Procurement Management. In 2021, the Group reviewed both documents to ensure they meet internal requirements of transparency, controls and sufficiency. The Procurement Policy is based on the following principles: ethical business conduct, free competition among suppliers, transparency of information, partnership, economic feasibility and efficiency, and prioritisation of direct producers. The Regulation on Procurement Management covers requirements for supplier verification, tender participants' rights and obligations, and business rules, among other matters.

In January 2022, after the reporting period, the Group also adopted the Procedure for Procurement of Materials and Resources, which aims to strengthen oversight of the planning, procurement and supply of materials.

SUPPLIER SELECTION

GRI 308-1; 308-2; 414-1; 414-2

Metinvest follows sustainable principles in supply chain management and expects the same from its suppliers and business partners. They agree to abide by the Group's Code of Ethics and Code of Business Partnership. Among other things, these documents require compliance with HSE regulations and standards, as well as zero tolerance for workplace violence, forced labour and discrimination of any kind. Metinvest also expects its suppliers to adhere to all applicable laws, including those addressing child labour, minimum living wages, maximum working hours, freedom of association and the right to collective bargaining for their employees.

The Group employs a competitive and transparent tender procedure that evaluates the offers received for compliance with procurement requirements. A Tender Committee consists of a minimum of three members from different departments and considers certain approved criteria, including price, quality, delivery and payment terms, and guarantees, among others. Metinvest publishes information about major future tenders on its website a minimum of three days in advance. In addition, the Group uses the SAP Ariba digital solution for competitive supplier choice, which makes it possible to exchange information with bidders quickly and securely online.

Metinvest has pre-contract and pre-qualification procedures in place to analyse potential partnership risks. Suppliers of services related to hazardous work are also checked for compliance with health and safety requirements and to ensure that they have the appropriate qualifications and licenses.

The Group reserves the right to disqualify suppliers for a specified period or indefinitely in the event of unfair business practice with its companies. Disqualification criteria are published on its website. Metinvest notifies counterparties of the reasons and terms of their disqualification to provide feedback and give them the opportunity to improve their corporate governance as needed.

In 2021, the Group performed more than 14,000 pre-contract assessments and over 7,000 pre-qualification reviews. These processes led to the selection of around 690 new suppliers and the disqualification of more than 140 candidates.

In addition, Metinvest screens suppliers and their products to eliminate or mitigate risks of corruption and non-compliance with international obligations and sanctions. Those that have not passed the compliance screenings cannot participate in the procurement process.

LOGISTICS

The Group's logistics are managed by Metinvest-Shipping, which is in charge of all cargo transport, from rail to port operations. Strategic decisions are coordinated by the executive team.

In 2021, the Group continued to ensure the efficient delivery of products to its customers and raw materials to its production assets to maintain smooth operations. Metinvest's logistics practices are guided by the following key priorities: cost optimisation, risk management, cooperation with key market participants, and development of internal services and competencies.

At the year-end, the Group's owned fleet included gondola cars and specialised railcars, such as hoppers for transporting pellets, flat wagons and tanks for chemical products.

In 2021, Metinvest-Shipping extended its expertise in rolling stock management and strengthened relationships with partner ports and rolling stock operators. During the reporting period, the Group also developed various technical solutions to automate logistics activities, enhance distribution and availability of vehicles for its assets, track and control its transport fleet, and optimise routes.

In the reporting period, Metinvest-Shipping was named as Marine Agent of the Year and Freight Forwarder of the Year in Ukraine's 2020 National Maritime Rating, which had more than 200 participants.