

RISK MANAGEMENT

PREVENTION AND MITIGATION

In 2021, the Group updated its policy governing risk management and delineated internal responsibility for oversight of this area in order to increase its efficiency.

AN UPDATED APPROACH

Metinvest uses a systematic and flexible approach to risk management, which makes it possible to identify, analyse, evaluate and mitigate risks comprehensively. Risk-based decision making enables the Group to respond to challenges that it encounters and adapt to a changing world.

The Group's Internal Audit Policy defines the fundamental principles of risk management. In 2021, Metinvest updated this policy to integrate the strategic guidance of the ISO 31000:2018 Risk Management standard.

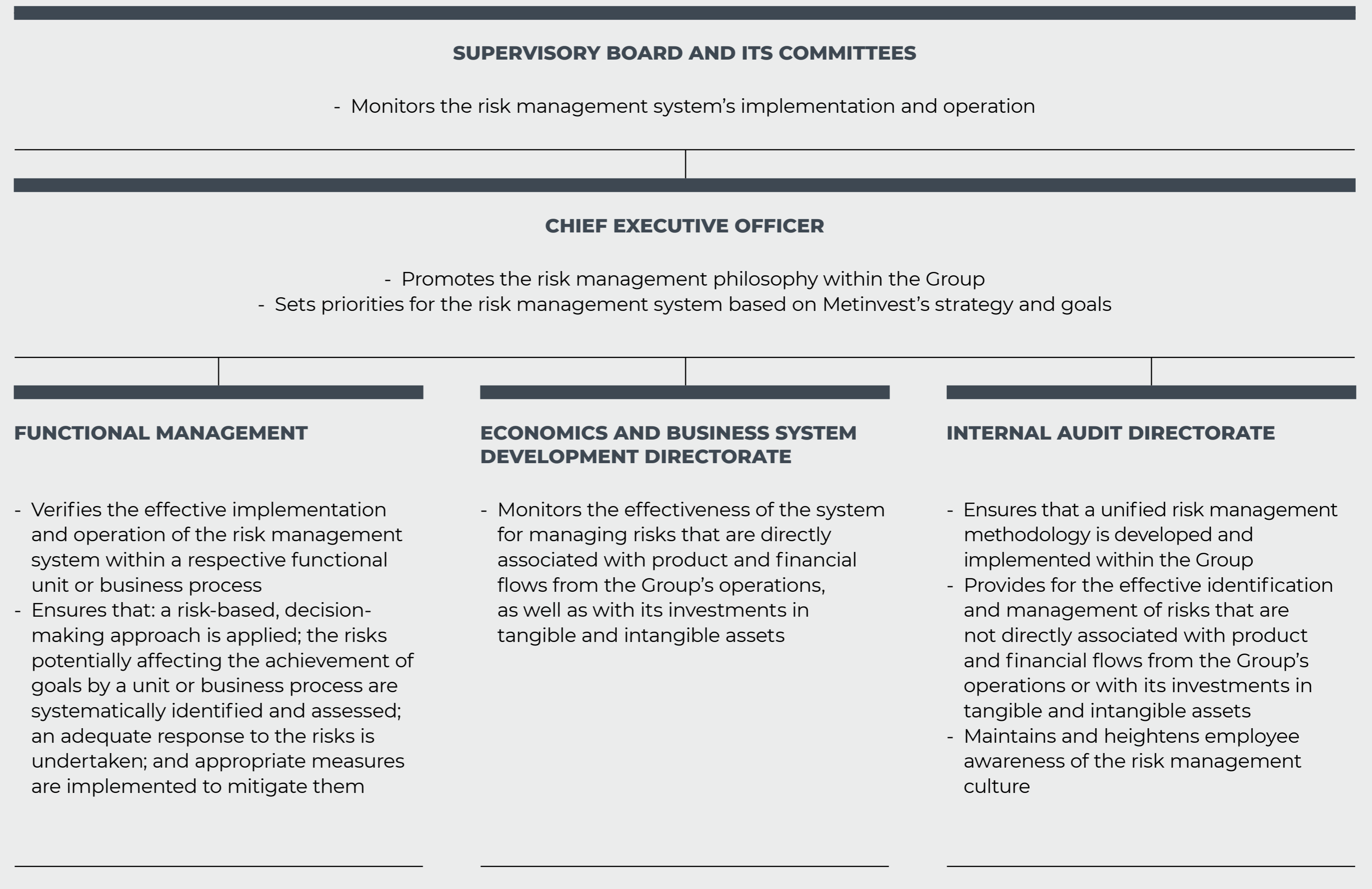
The Group introduced the following adjustments to its risk management approach in 2021.

First, Metinvest changed its internal categorisation of risks to commercial or non-commercial. Commercial risks are directly associated with product and financial flows from operations, as well as with investments in tangible and intangible assets. Non-commercial risks are not directly associated with product and financial flows from operations or with investments in tangible and intangible assets and include sustainability risks.

Second, the Group delineated the primary roles and responsibilities for risk management. The Economics and Business System Development Directorate became responsible for monitoring commercial risks. The Internal Audit Directorate was entrusted with the management of non-commercial risks.

Risk management structure

GRI 102-30



RISK MANAGEMENT PRACTICE

The Group quantifies key risks that directly impact its production activities and financial results, takes them into account in its business planning and prepares action plans to mitigate them.

These include:

- possible volatility of prices for key products and resources and their potential impact on financial results based on sensitivity analysis
- other commercial risks (including those related to production and logistics) that are assessed as potential additional costs
- risks associated with investments in property, plant and equipment and intangible assets assessed as potential losses from project rejection and sensitivity analysis of key inputs if necessary

For non-commercial risks, the management performs quantitative and qualitative assessments using a corporate framework through which the probability and impact of risks are evaluated so that they can be managed accordingly.

For more details about sustainability-related risks, which are part of non-commercial risks, see page 32.

The management also conducts periodic self-assessments of the effectiveness of operational risk management. It uses an individual internal control assessment system covering the core business processes at Metinvest's key assets. The results of the risk self-assessment are communicated to senior functional managers for further decision making, as well as to the Audit and Finance Committee members. The Internal Audit Directorate considers this information for planning purposes.

Non-commercial risk assessment framework

For certain risks separate frameworks can be developed based on their specific characteristics.

PROBABILITY

The risk will definitely be realised	>60%	5						
The risk is likely to be realised	41-60%	4						
Probability of the risk being realised is rather high	21-40%	3						
The risk is unlikely to be realised	5-20%	2						
The risk will not be realised	<5%	1						

RISK IMPACT

	1	2	3	4	5
Financial loss – effect on EBITDA cash flow, working capital	≥\$0.5% mn; <0.1%	0.1-1.5%	1.5-3.5%	3.5-5%	>5%
Effect on Metinvest's value	Minor	Small	Average	High	Critical
Metinvest's reputation	Minor impact on reputation. Negative mention in the local press.	Short-term, easily recoverable damage to reputation. Article in local media with negative coverage of the Group's activity.	Significant damage to reputation. Recovery of reputation will take several months. Negative articles in the local and national media.	Damage to reputation that is hard to recover from. Incurrence of financial and other losses. Negative PR at a national level and short-term campaign at an international level.	Irretrievable damage to reputation that leads to significant financial and other losses. Long and negative PR campaign at the national and international levels.

For information about anti-crisis management system of the Group, see page 65.