



GOVERNANCE REPORT

The Governance Report supports Metinvest's commitment to transparency by disclosing information about corporate governance, business ethics and compliance, supply chain management, risk management practices, as well as internal and external audit.

CORPORATE GOVERNANCE

GUIDED BY INTERNATIONAL PRINCIPLES

While a privately held business today, Metinvest recognises the importance of adhering to the highest standards of corporate governance. Over more than a decade and a half, the Group has built a robust governance system based on international best practices.

CORPORATE GOVERNANCE SYSTEM

Metinvest has established a corporate governance system designed to ensure effective stewardship. By focusing on oversight, disclosure and engagement, the Group aims to serve the interests of all stakeholders and further strengthen its reputation in the global community.

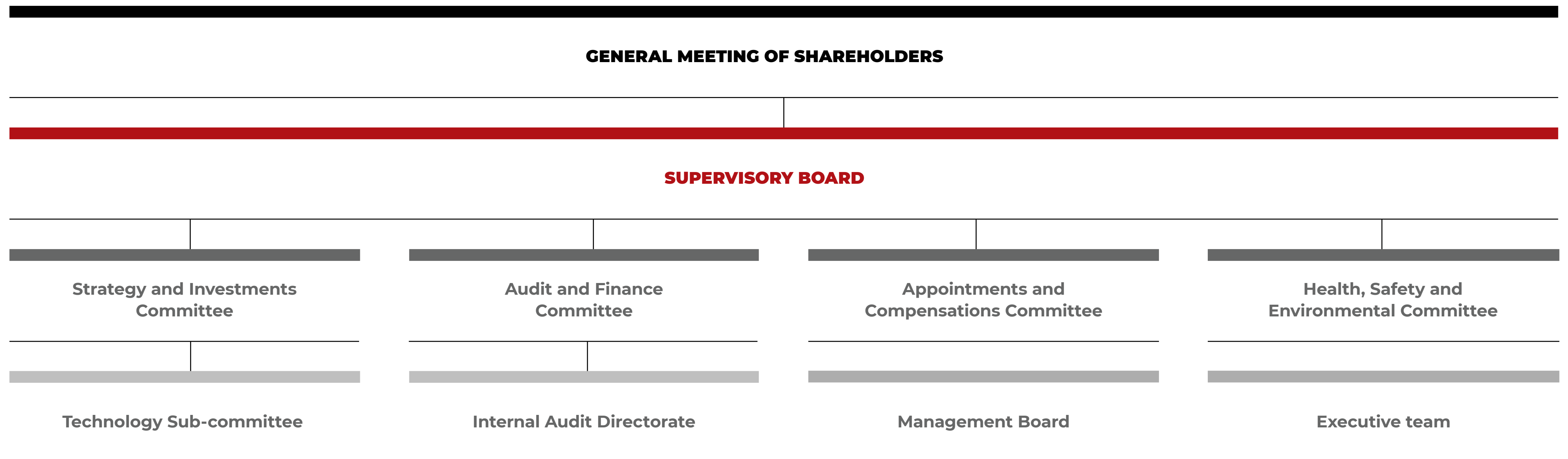
GOVERNANCE PRINCIPLES

Metinvest conducts oversight based on a set of core principles: specialisation, vertical integration, unified strategic management, centralisation, growth and investments, global best practices, tradition and innovation, commitment to leadership and personal commitment.

CORPORATE GOVERNANCE STRUCTURE

Metinvest B.V.'s corporate governance structure is built in accordance and compliance with Dutch law. It comprises the General Meeting of Shareholders, Supervisory Board and Management Board. On the Group level, the executive team supports operations.

GRI 102-18



SHAREHOLDERS

As at 31 December 2021 and throughout the periods presented in this report, Metinvest B.V. was 71.24%-owned by SCM Limited (Cyprus) (Class A shares) and 23.76% by companies of the Smart Group (Class B shares). The remaining 5% interest (in the form of Class C shares) has been acquired from the previous owners of Ilyich Group for the benefit of SCM and SMART. It is the intention of SCM and SMART to dispose of the said 5% interest in due course (after the receipt of respective governmental approvals, if such will be necessary), and in such a manner that the ultimate interest of SCM in Metinvest B.V. shall be 75% minus 1 share, and the ultimate interest of SMART in Metinvest B.V. shall be 25% plus 1 share, thus SCM remaining as the controlling shareholder.

GENERAL MEETING OF SHAREHOLDERS

Under Dutch law and the Articles of Association of Metinvest B.V., the General Meeting of Shareholders is authorised to resolve the following matters, among others: to issue shares; to exclude or limit pre-emptive rights; to acquire shares and to transfer shares in the capital of Metinvest B.V. held by Metinvest B.V.; to reduce the share capital; to determine the remuneration of the Management Board; to adopt the annual accounts; to allocate profits; to amend the Articles of Association; to approve material transactions of over US\$500 million; to approve mergers and acquisitions to be undertaken by the Group; and to dissolve, merge or demerge Metinvest B.V.

In 2021, the meetings convened 29 times to discuss and take decisions of shareholders on a wide range of matters, including but not limited to: financial statements; external financing; mergers and acquisitions; and material transactions.

SUPERVISORY BOARD

The Supervisory Board has ten members as of 1 August 2022, including:

- seven A-Members appointed by the Class A and Class C shareholders
- three B-Members appointed by the Class B shareholders

GRI 102-24

A member of the Supervisory Board is appointed for an indefinite period, unless otherwise specified in the decision concerning their appointment.

Each member of the Supervisory Board may be suspended or dismissed at any time by the same body that has the right to appoint them.

Suspension may be extended one or more times, but in general it cannot last more than three months. If, at the end of the period, a decision has not been made to terminate the suspension or to dismiss them, the suspension shall end.

GRI 102-19; 102-26; 102-29

The Supervisory Board is responsible for overseeing the activity of the Management Board and the general course of affairs at Metinvest B.V. and the Group overall, including sustainability matters. It approves and updates corporate values, strategies, policies and goals related to the economic, environmental and social aspects of the Group as a whole.

The Supervisory Board also assists the Management Board by giving advice. Four committees assist the Supervisory Board in its work: the Strategy and Investments Committee; the Audit and Finance Committee; the Appointments and Compensations Committee; and the Health, Safety and Environmental Committee.

Decisions relating to the following matters, among others, must be approved or ratified by a resolution of the Supervisory Board: the Group's strategic goals; the Group's investment programme for each calendar year; the Group's annual business plan; appointments at the level of top management, approval of their compensation system and key performance indicators (KPIs), and decisions on annual bonuses; the appointment of an independent external auditor; approval of the annual consolidated financial statements of Metinvest B.V. and recommendation to the shareholders on approval of the standalone financial statements of Metinvest B.V. and all mergers and acquisitions to be undertaken by the Group; approval of investment projects with budgets over US\$20 million (up to US\$500 million), material transactions of over US\$100 million (up to US\$500 million), external financing of over US\$30 million, if included in the annual financing programme approved by the Supervisory Board, and any financing transaction regardless of the amount if they are not included; approval of the annual plan for the Supervisory Board's activities; and approval of the regulations of the committees of the Supervisory Board.

In 2021, the Supervisory Board convened 30 times and discussed and took decisions on a wide range of matters, including: annual business planning; investment projects; the financial statements; the annual report; the appointment of an independent external auditor; the compliance programme; external financing; material transactions; mergers and acquisitions; social projects; health, safety and the environment; performance appraisals; remuneration; and other material corporate events.

GRI 102-27

Special strategic sessions are held for the Supervisory Board to increase its capacity to successfully address material issues, including sustainability. The format varies from workshops to training sessions and discussions on the achievement of Metinvest's strategic initiatives and objectives.

STRATEGY AND INVESTMENTS COMMITTEE

The Committee's main responsibility is to conduct reviews and provide recommendations to the Supervisory Board regarding the Group's strategic objectives, including existing and new businesses, investments, mergers and acquisitions. It is assisted by the Technology Sub-committee, which advises and supports the management in developing and implementing the technological strategy.

In 2021, the Strategy and Investments Committee convened six times and discussed the following matters, among others: macroeconomic and industry trends; operations and development programmes; the overall capital investment programme and individual

projects; the quality management system; and business planning.

During the reporting period, the Technology Sub-committee convened eight times and discussed the following matters, among others: the overall capital investment programme and individual projects; the environmental agenda; the operational improvement programme; the digital transformation of the Group's assets; and Metinvest's strategic development.

AUDIT AND FINANCE COMMITTEE

The Committee is tasked with ensuring the ongoing supervision of all aspects of Metinvest's financial and audit activities in the interests of the shareholders and on behalf of the Supervisory Board. Its main

responsibilities include overseeing the budget, financial reporting, risk management, internal controls, the internal audit function and assessment of the external auditor. It is assisted by the Internal Audit Directorate.

In 2021, the Audit and Finance Committee convened nine times and discussed the following matters, among others: internal audit reporting matters; external auditor selection for the 2021 financial year; the financial statements for the 12 months ended 31 December 2020 and the six months ended 30 June 2021; the annual report for 2020; the compliance programme; external financing; material transactions; working capital management; currency exposure and hedging opportunities; insurance programmes; tax issues; and risks, opportunities and disclosures related to climate change.

APPOINTMENTS AND COMPENSATIONS COMMITTEE

The Committee is responsible for making recommendations to the Supervisory Board regarding dismissals and new appointments for senior positions at Metinvest; KPIs and annual bonuses for senior management; and the Group's motivation, assessment and reward systems and succession planning.

In 2021, the Appointments and Compensations Committee convened six times and discussed the following matters, among others: performance evaluations; the motivation system for senior executives; payroll and headcount budgeting; the integrated communications system; the remote work transformation project; Ukrainian labour market trends; HR strategy; staff recruitment and retention programmes; Metinvest Polytechnic; employee development programmes; and non-monetary compensation.

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

The Committee's remit is to support the executive team in implementing and maintaining the highest standards of health, labour and environmental safety culture throughout the business. On behalf of the Supervisory Board, it oversees strategy, policies, systems, controls and principles related to health, safety and the environment.

In 2021, the Health, Safety and Environmental Committee convened four times. It discussed the following matters, among others: health and safety performance; industrial safety at newly acquired assets; health and safety roadmap implementation; incident investigations; environmental management; and climate risk management.

GRI 102-22

Composition of the Supervisory Board and its committees as of 1 August 2022¹

	Status	Class membership	Strategy and Investments Committee	Audit and Finance Committee	Appointments and Compensations Committee	Health, Safety and Environmental Committee
Oleg Popov	Chairperson	A	M		C	
Alexey Pertin	Deputy Chairperson	B	C		M	
Christiaan Norval	Member	A	M	C		M
Johan Bastin	Member	A	M	M		
Damir Akhmetov	Member	A	M			
Gregory Mason	Member	B	M			C
Mikhail Novinskii	Member	B	M	M		
Yaroslav Simonov	Member	A		M	M	
Margaryta Povazhna	Member	A				M
Sergii Zuzak	Member	A	M			M

M Member

C Chairperson

¹ In 2022, after the reporting period, there were several changes to the Supervisory Board's composition, including the resignations of Natalia Izosimova and Avetik Chalabyan, and the appointments of Margaryta Povazhna and Sergii Zuzak.

MANAGEMENT BOARD

The Management Board consists of two Directors: Director A is appointed by a joint meeting of holders of Class A shares and holders of Class C shares; Director B is appointed by a meeting of holders of Class B shares.

Under Dutch law, the Management Board is responsible for the management of Metinvest B.V., including economic, environmental and social considerations, excluding those matters that are within the remits of the General Meeting of Shareholders and the Supervisory Board.

Under its Articles of Association, Metinvest B.V. may be represented by the entire Management Board only (that is, Director A and Director B, acting jointly). In performing their duties, the Directors must act in the best interests of Metinvest B.V. and its business. The Articles of Association of Metinvest B.V. do not determine a specific term of office for members of the Management Board.

Director A and the CEO is Yuriy Ryzhenkov. In May 2021, Eliza Désirée den Aantrekker was appointed as Director B in place of ITPS (Netherlands) B.V.

EXECUTIVE TEAM

The executive team is responsible for overseeing, coordinating and executing the day-to-day activities of Metinvest, as well as for implementing the strategic decisions of the Supervisory Board and its committees with respect to a broad scope of matters, including economic, environmental and social ones.

EXECUTIVE PERFORMANCE EVALUATION AND REMUNERATION

GRI 102-28; 102-35

The Supervisory Board annually sets team goals for senior management, as well as personal goals for the CEO, who allocates them to each member of the executive team in accordance with their job functions, subject to approval of the Supervisory Board.

These goals are incorporated into a KPI scorecard, where each target is weighted based on a manager's ability to influence its achievement. After a year-end, the Supervisory Board conducts an annual performance appraisal for members of the senior management based on their self-assessment.

Contracts with members of the senior management do not provide for any pension or other benefits upon termination of service.

For additional information please see Note 25 to the Summary IFRS Consolidated Financial Statements 2021.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Metinvest maintains worldwide directors' and officers' (D&O) liability insurance for all entities, renewing it annually. This type of insurance covers the liability of everyone appointed as a director and/or officer of a Group entity, including, but not limited to, members of the Supervisory Board, Management Board and executive team.

D&O liability insurance provides cover for financial losses and legal expenses resulting from claims made against directors and/or officers arising from an actual or alleged wrongful act committed in their capacity. Key areas of cover include management liability, pre-claim insurance, special excess protection for directors, company securities liability and additional extensions.

Metinvest relies on global insurance brokers to arrange D&O liability cover, which is provided by reputable, international insurers.

LEADERSHIP

The extensive industry and business expertise of Metinvest's Supervisory Board and executive team enables them to provide comprehensive oversight of the Group's strategy and operations.

GRI 102-22

SUPERVISORY BOARD

OLEG POPOV
Chairperson
and Class A Member

Tenure: eight years

Oleg Popov was appointed as a Class A Member of the Supervisory Board on 14 July 2014 and became Chairperson on 11 August 2018. He chairs the Appointments and Compensations Committee and is a member of the Strategy and Investments Committee.

Oleg has been Director and CEO of SCM Holdings Limited (Cyprus) since November 2018. He is also a member of the supervisory boards of System Capital Management (Ukraine), First Ukrainian International Bank and several holding companies of DTEK Group. Oleg served as Chief Operating Officer of System Capital Management (Ukraine) from 2001 to 2006 and its General Director and CEO from 2006 to February 2022.

Oleg graduated from Donetsk Polytechnic Institute (Ukraine) in 1991 and Donetsk State University (Ukraine) in 1996.

ALEXEY PERTIN
Deputy Chairperson
and Class B Member

Tenure: eight years

Alexey Pertin was appointed as a Class B Member of the Supervisory Board on 14 July 2014. He is a Chairperson of the Strategy and Investments Committee and a member of the Appointments and Compensations Committee. He is responsible for the following areas: strategic development, production efficiency, sales and management of investment projects.

Alexey has been Chairperson of the Supervisory Board of Smart Holding (Ukraine) since August 2021. Before that, he served as its CEO from 2008 to 2014 and from 2015 to 2021, and was Chairperson of its Supervisory Board from 2014 to 2015. Alexey's career started in 1995 at Cherepovets Iron and Steel Works. He later continued working at Severstal Group in different positions, including CEO of Izhora Pipe Plant and Deputy CEO for Business Development at Severstal Group.

Alexey graduated from the faculty of General Technology at Cherepovets State University in 1994 and from St Petersburg State Technical University with a major in financial management in 2001. Later, he received a degree in Financial Management from the Institute of Professional Managers and an ACCA Diploma in Accounting and Finance and studied for an MBA at the Newcastle Business School of Northumbria University (UK).

CHRISTIAAN NORVAL
Class A Member

Tenure: eight years

Christiaan Norval was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He is Chairperson of the Audit and Finance Committee, a member of the Strategy and Investments Committee and a member of the Health, Safety and Environmental Committee. He oversees issues relating to his industrial expertise, the implementation of best practices in management and production, and international affairs.

Christiaan spent a significant part of his career building what is today known as BHP as head of corporate finance. He oversaw most of the transactions to create BHP Billiton, including the IPO of Billiton Plc in 1997. He also served as CEO and President of Sual International Group, a leading producer of aluminium and alumina.

Christiaan holds a BCom (Hons) from the Rand Afrikaans University in Johannesburg (South Africa) and is a Chartered Accountant. He is a member of the South African Institute of Chartered Accountants, as well as the Institute of Chartered Accountants in England and Wales.

GREGORY MASON
Class B Member**Tenure: eight years**

Gregory Mason was appointed as a Class B Member of the Supervisory Board on 14 July 2014. He is Chairperson of the Health, Safety and Environmental Committee, a member of the Strategy and Investments Committee and chairs the Technology Subcommittee. He contributes his expertise in strategic and operations management and is responsible for technological innovation and the implementation of continuous improvement practices.

Gregory was a member of the Supervisory Board of Smart Holding (Ukraine) from 2014 to 2015. He previously served as CEO of Severstal International, managing North American and European operations. Prior to that, he held various positions in steel companies and consulting firms, from engineering and operations management to senior executive roles.

Gregory is a registered professional engineer in the US. He received his master's degree in Electrical Engineering from the Naval University of St Petersburg (Russia) in 1975.

JOHAN BASTIN
Class A Member**Tenure: four years**

Johan Bastin was appointed as a Class A Member of the Supervisory Board on 1 August 2018. He is a member of the Audit and Finance Committee and the Strategy and Investments Committee. He oversees investor relations and investment strategy.

Johan is also Chairperson of the supervisory boards of DTEK Renewables, DTEK Renewables International and D.Trading, as well as Non-Executive Director of the Private Infrastructure Development Group. His previous positions include serving as CEO of CapAsia (Singapore), Managing Director at Darby Private Equity (a Franklin Templeton Investments subsidiary) and several senior roles with the European Bank for Reconstruction and Development (EBRD) in London (UK).

Johan holds a master's in Urban Planning from Eindhoven University of Technology (Netherlands) and a PhD in Regional Planning from Université de Montréal (Canada), and attended McGill University's MBA programme in Montreal (Canada).

YAROSLAV SIMONOV
Class A Member**Tenure: eight years**

Yaroslav Simonov was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He is a member of the Audit and Finance Committee and Appointments and Compensations Committee. He oversees legal matters, compliance and corporate governance.

Since February 2022, Yaroslav has been a member of the Supervisory Board of System Capital Management (Ukraine). From August 2017 to January 2022, he held the position of Director, Legal Affairs at System Capital Management (Ukraine). From 2008 to 2017, he was Deputy Director of Voropaev and Partners Law Firm. Yaroslav previously also worked at The Silecky Firm (affiliated with Squire Sanders and Dempsey) and Renaissance Capital Ukraine.

Yaroslav graduated from the Law Department of Kyiv National Taras Shevchenko University (Ukraine) and holds an LLM in International Business Law from the Central European University in Budapest (Hungary).

MARGARYTA POVAZHNA
Class A Member**Tenure: less than one year**

Margaryta Povazhna was appointed as a Class A Member of the Supervisory Board on 25 April 2022. She is a member of the Health, Safety and Environmental Committee. She oversees the areas of finance, investment strategy and corporate development.

Since February 2022, Margaryta has been a member of the Supervisory Board of System Capital Management (Ukraine). She is also a member of the supervisory boards of numerous companies of SCM. Starting from September 2015, Margaryta has been Chief Financial Executive Officer of SCM (System Capital Management) Limited (Cyprus). In March 2003, she was appointed as Chief Accountant of System Capital Management (Ukraine) and was its Chief Financial Officer from September 2009 to January 2022.

Margaryta's professional experience also includes working at such large Ukrainian enterprises as Scandik Yug and Artemivsk Champagne Wines Factory (1996-2003).

Margaryta graduated from the Donetsk State Commercial Institute with a degree in Industrial Management in 1995. She holds a PhD in Public Administration and an ACCA Diploma in International Financial Reporting.

DAMIR AKHMETOV
Class A Member

Tenure: eight years

Damir Akhmetov was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He is a member of the Strategy and Investments Committee. He oversees the areas of strategy, corporate development, governance and production efficiency.

From 2013 to October 2020, he worked at SCM Advisors (UK) Limited, a company leading SCM's venture capital efforts, most recently as its Chairperson. He has also been a member of the supervisory boards of several holding companies of DTEK Group.

Damir has degrees of Bachelor of Science in Business Studies (2009) and Master of Science in Finance (2010) from City University London, Cass Business School. He is also a CFA® charterholder, CFA Institute (2017).

MIKHAIL NOVINSKII
Class B Member

Tenure: four years

Mikhail Novinskii was appointed as a Class B Member of the Supervisory Board on 29 September 2017. He is a member of the Strategy and Investments Committee and the Audit and Finance Committee. He is responsible for defining the strategy and devising business development programmes, assessing their production and innovation potential, and coordinating the development and implementation of promising new business projects.

Mikhail has been the Chief Development Officer of Smart Holding (Ukraine) since November 2018 and a member of its Supervisory Board since August 2021. He began his career in 2013 as a manager of tangible and intangible production projects and programmes at the business controlling and information department of Smart Holding (Ukraine). He then occupied various managerial positions at Smart Holding (Ukraine), including head of the project management department, member of the Supervisory Board and adviser to CEO.

Mikhail graduated from St Petersburg State University (Russia) with a degree in Business Management in 2008. He also holds an MSc in Finance and Management from the University of St Andrews (UK).

SERGIY ZUZAK
Class A Member

Tenure: less than one year

Sergiy Zuzak was appointed as a Class A Member of the Supervisory Board on 18 July 2022. He is a member of the Strategy and Investments Committee and the Health, Safety and Environmental Committee. He oversees strategic development and advises management to evaluate investment projects.

Since February 2022, Sergiy has been a member of the Supervisory Board of System Capital Management (Ukraine). He also currently serves on the supervisory boards of numerous SCM companies. Sergiy joined System Capital Management (Ukraine) in 2010, where he was Investment Director from 2018 to February 2022, before which he held the positions of Director for Agribusiness Development and Business

Development Director. Prior to that, Sergiy worked at Creditanstalt Investment Bank, the Western NIS Enterprise Fund and Horizon Capital.

Sergiy graduated from the National University of Kyiv-Mohyla Academy with a degree in Economics and Entrepreneurship.

MANAGEMENT

YURIY RYZHENKOV
Chief Executive Officer,
Director A of the Management Board

Tenure: eight years

Yuriy Ryzhenkov was appointed Chief Executive Officer of Metinvest Holding in December 2013.

Before that, he held senior positions at DTEK: namely, Chief Operating Officer and member of the executive team from 2010 to 2013 and Chief Financial Officer from 2007 to 2010. Prior to DTEK, he worked as Deputy Chief Financial Officer and Chief Financial Officer of ISTIL Group (Donetsk and London), in the finance business units of Mini Steel Mill ISTIL (Ukraine) and at Donetsk Iron and Steel Works.

Yuriy has degrees in International Economics from Donetsk State Technical University (Ukraine) and in Business Management from King's College (UK). He also holds an MBA from London Business School (UK).

Note: tenure in full years is as of 1 August 2022.

BUSINESS ETHICS AND COMPLIANCE

FUNDAMENTAL PRACTICES

Metinvest strives to adhere to international best practices in business ethics and compliance. The Group's rigorous governance system includes various codes, policies and other safeguards designed to protect stakeholder interests.

CODE OF ETHICS

GRI 102-16; 103-2; 103-3

Since 2013, Metinvest's [Code of Ethics](#) has served as the cornerstone of ethical business conduct throughout the Group. The Code of Ethics is built around the following core values for dealing with stakeholders: life, health and the environment, customer focus, professionalism, leadership and teamwork. It also enshrines basic human rights and needs, such as freedom of thought, religion, opinion and expression, health and safety, decent work, non-discrimination, access to a healthy environment, social responsibility and privacy. The Group promotes them through the personal example of leadership, as well as ongoing training and communication campaigns to raise awareness about the Code of Ethics.

Metinvest has conducted regular training on its Code of Ethics since 2014 and tests the Group's staff to evaluate how well they understand it. In the reporting period, 31,908 employees passed the online Code of Ethics test, or 41% of total headcount, compared with 16,710 employees in 2020. The substantial increase in the number of people who passed testing was because of the integration of newly acquired assets and additional efforts to improve employee engagement.

In September 2021, Metinvest held its annual "Ethics Week" at its Ukrainian entities. The aim was to promote the Code of Ethics and its principles through numerous activities, including interviews and videos with senior executives and compliance coordinators, as well as contests, quizzes and a cartoon illustrating what ethics mean to employees.

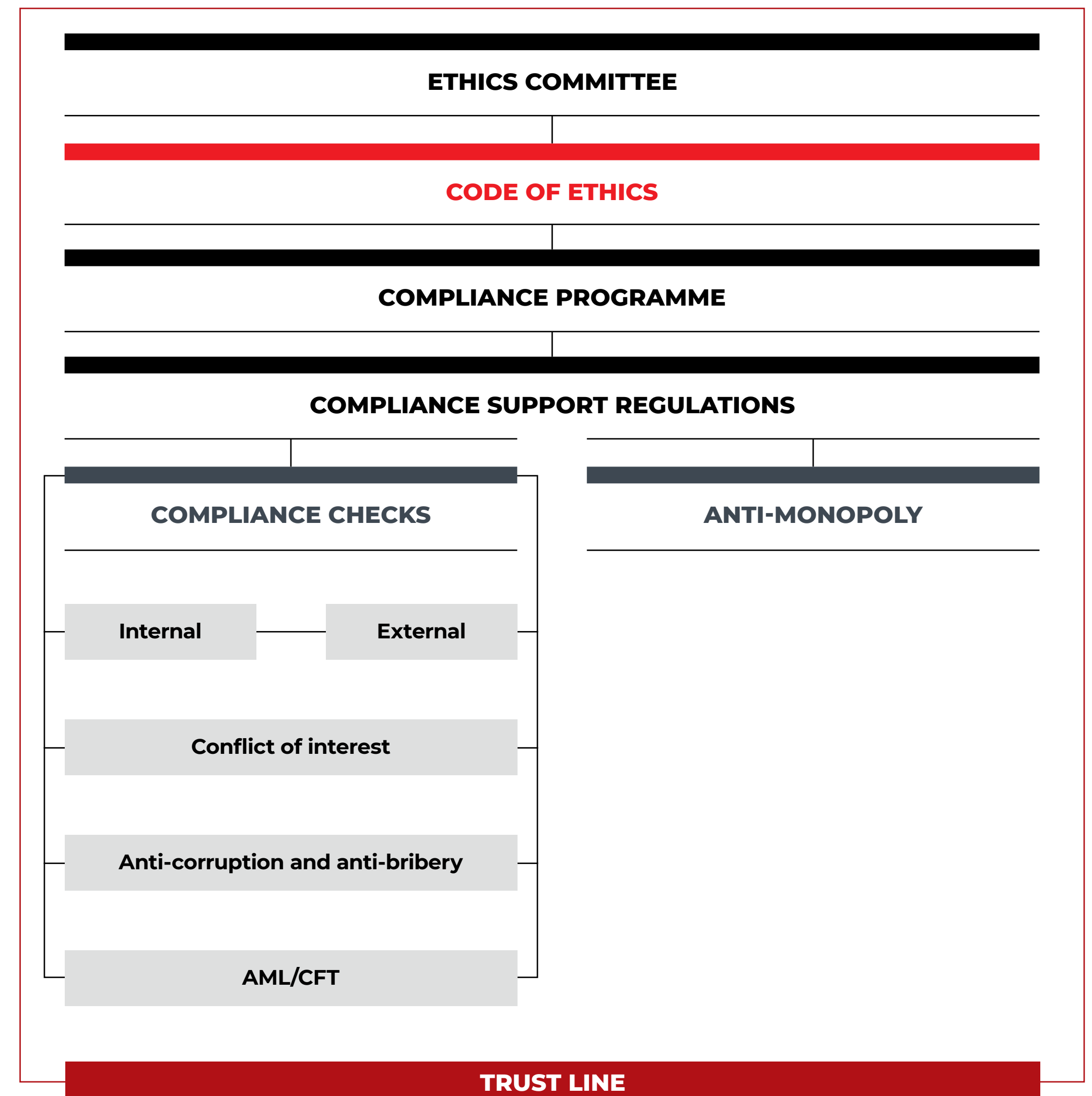
In 2021, to further strengthen business ethics practices, the Group adopted a [Code of Business Partnership](#). For more details about the Code of Business Partnership, see page 66.

COMPLIANCE PROGRAMME

Since 2014, Metinvest's Compliance Programme has helped to promote fair business practices and has acted as an anti-corruption mechanism. The Group's Ethics Committee performs quarterly reviews to monitor its implementation, including by assessing the approach to anti-corruption management.

In 2021, Metinvest developed a supplier compliance check module in the SAP CRM system for its assets in Western Europe. It was launched in May 2022, after the reporting period.

In addition, the Group updated the Code of Ethics webpage on its internal portal for all compliance documents, links, training materials and frequently asked questions.



TRUST LINE

GRI 102-17

Since 2013, Metinvest has used the Trust Line maintained by SCM, one of the Group's shareholders, to increase transparency and responsibility. It allows stakeholders to anonymously report violations of the law, breaches of business conduct and corporate ethics, and non-compliance with standards and principles of the Code of Ethics.

The Trust Line operates around the clock and has an authorised representative available to speak at any time. It can receive information through various channels, including email and text message. Submissions are possible in any of the Group's working language.

In 2021, 784 reports were submitted through the Trust Line, of which 238 were confirmed, compared with a respective 736 and 358 reports in 2020. Among the main topics of appeals were breaches of internal procedures and contractual obligations, and HR and HSE violations.

During the year, the Procedure for Routing, Investigating and Closing Reports Received through the Trust Line was introduced. It establishes the requirements and departments responsible for investigations, determines the form and content of reports, and mandates monitoring of the implementation of corrective measures. It also outlines the actions that responsible employees must take when performing independent internal investigations of allegations received through the Trust Line.

The Trust Line is available through the following channels:

Toll free number within the borders of Ukraine: **0800 60 07 77**
 International number: **+38 044 224 72 32**
 Email: trustline@scm.com.ua
 Web: www.scm.com.cy/trust-line

CONFLICTS OF INTEREST

GRI 102-25

Metinvest recognises that employees have personal interests and encourages their development, especially where they are beneficial to the community at large. However, it also understands the necessity for staff to avoid conflicts between their interests and those of the Group.

Metinvest's Procedure for Declaring Conflicts of Interest requires employees to inform their direct supervisor and the legal team in a timely manner about any real or potential conflict of interest. In addition, those in management positions are required to submit declarations confirming that they do not have any conflicts of interest or declaring any issues. They are also required to submit initial (further to taking up employment in management positions), current (if any real or potential conflict appears during a year) and annual declarations (once a year regardless of whether there is a conflict).

During the reporting period, the Group updated its Procedure for Declaring Conflicts of Interest. The main changes were aimed at reflecting the current practice of declaring and settling conflicts of interest (through an electronic system and the administrative support of compliance coordinators). The amendments also clarified the types of situations that might be considered conflicts of interest.

In 2021, 95% of declarants submitted annual declarations, compared with 99% in 2020. In addition, 114 forms disclosed a conflict of interest, compared with 40 the previous year. These differences in the figures were mostly caused by a substantial increase in the number of declarants because of the integration of new assets and the updates to the Procedure for Declaring Conflicts of Interest.

ETHICS COMMITTEE

Metinvest's Ethics Committee is chaired by the CEO and includes senior management. The Committee meets quarterly to discuss the implementation of the Compliance Programme throughout the Group, take decisions concerning conflicts of interest and review reports received through the Trust Line. In addition, progress on the Compliance Programme agenda is reported quarterly at meetings of the Supervisory Board's Audit and Finance Committee and annually at a meeting of the Supervisory Board.

In 2021, the Procedure for Ethics Committee Meetings was amended to reflect the current approach to its meetings, update its composition and describe its areas of oversight.

In addition, an audit of the implementation of decisions taken by the Ethics Committee concerning declared conflicts of interest was performed during the reporting period.

APPROACH TO TAX

GRI 207-1; 207-2

Tax compliance is a vital component of the responsible business. In a view of this, the Group's tax approach is governed by the relevant policies of SCM and Metinvest. Metinvest's Tax Policy approved in September 2021 is governed by the following principles:

- declaration and payment of taxes in line with the rules of business jurisdiction
- use of tax deductions and benefits as set out by legislation
- mandatory identification and management of tax risks
- inclusion of the tax function into the business decision-making process
- arms-length approach

The Group oversees compliance with key tax policy issues at several levels. In particular, it establishes two or three tiers of decision-making controls (depending on the type of operations and their materiality), embeds key issues of policy implementation in the personnel appraisal and motivation system, and undergoes external audits by auditing firms and fiscal authorities.

Metinvest identifies, manages and monitors tax risks as outlined in its Regulation on Tax Risk Management. The tax risk assessment methodology includes, among other things, an impact assessment of risks associated with the Group's image and reputation.

Metinvest regularly discloses information on global taxes paid, including in its financial reporting and other communications. By paying taxes, the Group supports the sustainable development of the regions where its assets operate. In 2021, it paid a total of US\$1,587 million in taxes globally, including US\$1,347 million in Ukraine.

ANTI-CORRUPTION AND ANTI-BRIBERY

GRI 205-1; 205-2; 205-3

Metinvest complies with the requirements of applicable anti-corruption and anti-trust legislation when doing business. The Group's Code of Ethics specifies the anti-corruption and anti-bribery rules in place. Metinvest is committed to working with counterparties and business partners whose reputation is not associated with corruption or bribery.

In 2021, Metinvest revised its approach to corruption and fraud risk. In particular, the Group set specific assessment criteria, developed clear definitions and delineated responsibility for the oversight of this risk. In addition, Metinvest developed a plan to minimise such risks at its entities.

Anti-corruption is addressed at several levels within Metinvest's assets. The Group promotes employee awareness of its zero-tolerance principle for corruption. Metinvest also performs mandatory anti-corruption verification of suppliers and customers. Operations with representatives of the public sector and programmes for financing social projects receive special scrutiny.

All internal and external candidates for senior and high-risk positions are subject to mandatory internal security screening. Former government officials and politicians are subject to more detailed verification. In 2021, there were 172 checks of candidates for high-risk positions, compared with 43 checks a year ago. In addition, the list of high-risk positions was revised to include employees at newly acquired assets and reflect other changes in the corporate structure.

During the reporting period, there were no reported or confirmed cases of corruption violations involving public officials. However, there were five cases involving bribes received from counterparties to lobby their interests. The Group took appropriate disciplinary actions against the parties involved.

AML/CFT

Metinvest's Procedure on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) requires obligatory due diligence checks of all counterparties, including for watchlists covering sanctions, terrorism, money laundering, dual-use or military-use products, corruption and other areas of interest. In addition, automatic sanctions checks are in place for all counterparties registered in SAP.

In 2021, Metinvest also checked 3,774 transactions for risk of violation of economic sanctions and AML/CFT regulations, six of which resulted in a ban on cooperation. For comparison, the 421 transactions checked in 2020 resulted in seven bans on cooperation. The increase was because of the introduction of mandatory checks during the counterparty re-qualification stage and a new data collection mechanism for such checks.

ANTI-MONOPOLY COMPLIANCE

GRI 206-1

Metinvest recognises the need for fair competition in its Code of Ethics and complies with all competition laws in the countries where it operates. Anti-monopoly policies are in place at its largest enterprises, while the legal team has a unit dedicated to monitoring compliance in this area. In addition, the Group provides annual training to help managers to identify and prevent actions that might be considered violations of competition laws.

In 2021, no fines and/or sanctions for anti-competitive behaviour or violations of antitrust and monopoly legislation were imposed on the Group.

ANTI-CRISIS MANAGEMENT SYSTEM

GRI 102-33; 403-2

Metinvest has an anti-crisis management system in place that aims to minimise the chances of crisis situations and counter any effects that may impact the Group's operations. The system is based on the principles of prevention and prompt response. Metinvest classifies such situations as operational or strategic, depending on the potential consequences.

To aid in prevention, the Group conducts comprehensive risk assessments and performs audits at its facilities. These audits allow Metinvest to identify potential risks, assess their impact on business processes and the efficiency of the response, and implement appropriate preventive measures.

An effective response is ensured by the Group's anti-crisis headquarters, headed by the CEO. The anti-crisis headquarters at Metinvest's assets are headed by their general directors and include specially trained rescue teams.

Should a crisis situation occur, the Group has a clear mechanism for prompt notification in place in the form of a 24-hour emergency hotline. This allows employees to pass on information about incidents that they witness in a timely manner. The reporting channel extends to Metinvest's CEO and then to the Supervisory Board members and shareholders, as appropriate.

Even before Russia's full-scale invasion of Ukraine in February 2022, the anti-crisis management system had implemented a set of preventive measures to prepare the Group's assets for the risk of war. Since 2020, Metinvest has been conducting quarterly training to teach its personnel how to act in case of hostilities and respond to emergencies. The Group has also provided additional protective measures for its facilities and made special arrangements to ensure appropriate supplies are available for employees.

Since the beginning of the war, Metinvest has worked to evacuate employees from combat zones and other areas facing imminent risk and provide them with temporary accommodation and humanitarian support. It has also sought to prevent human-caused catastrophes and minimise the risks for employees who continue to work at the Group's facilities that are located near the areas of hostilities.

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.

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.

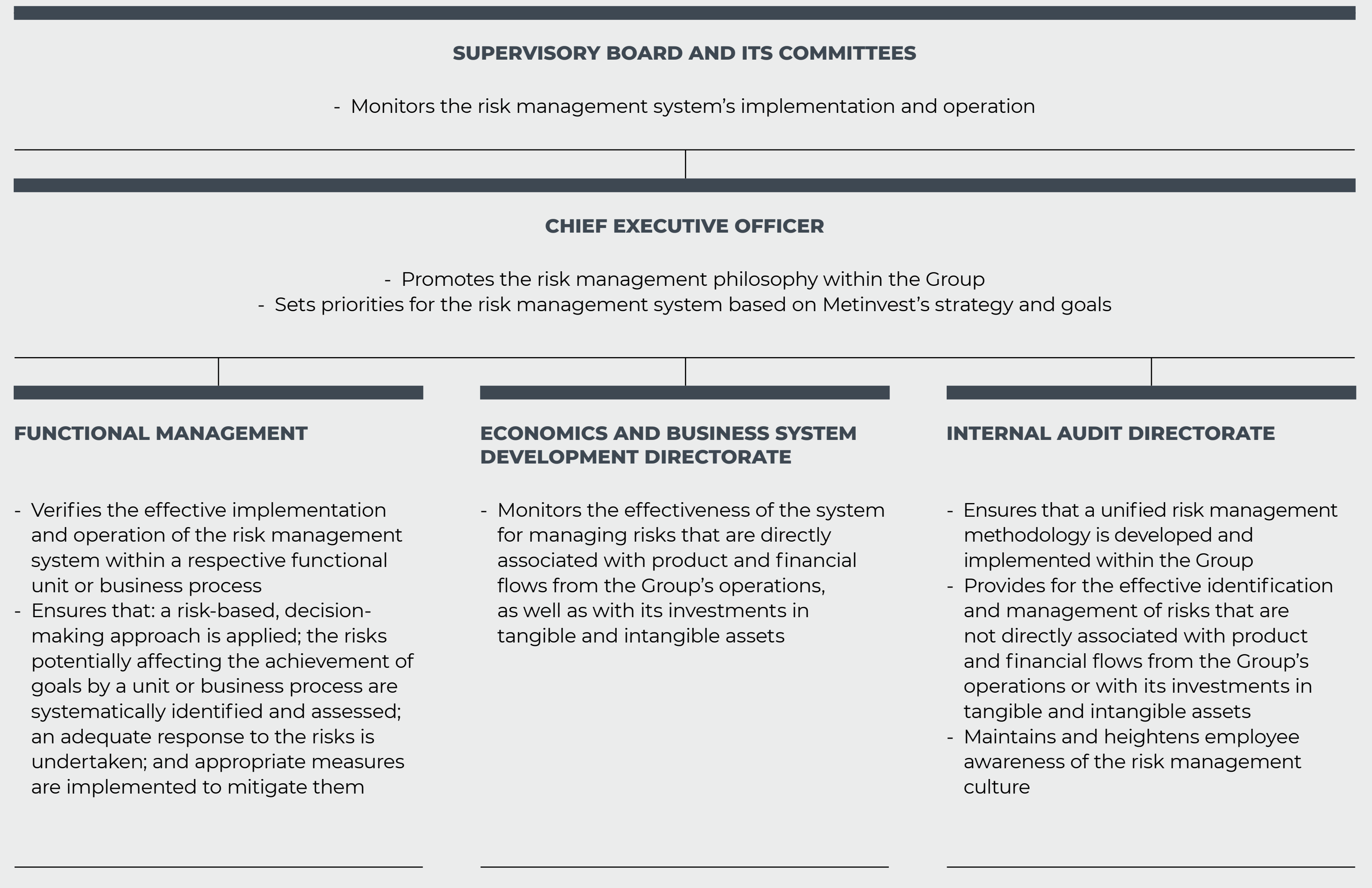
The Group introduced the following adjustments to its risk management approach in 2021.

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.

INTERNAL AND EXTERNAL AUDIT

ENHANCING OVERSIGHT

Metinvest's internal audit function acts as an independent body to provide oversight of the risk management, internal control and governance processes. Consistent with best practices, the Group also appoints an independent external auditor to review and approve its financial statements.

INTERNAL AUDIT

Metinvest's Internal Audit Directorate is an independent appraisal function established within the Group to examine and evaluate its activities.

In 2021 key internal audit roles were the following:

- supporting the management in achieving strategic objectives through the application of a systematic and consistent approach to improve the risk assessment and risk management processes, as well as to align the internal control and corporate governance systems with best practices
- assisting the management in evaluating and developing appropriate and efficient internal controls within key processes by providing quality assurance to other functions
- ensuring that the management identifies and monitors all key risks in a structured and efficient manner, as well as addresses any significant gaps in operational control in real time
- applying an aligned assurance approach throughout the organisation, whereby audit activities of all functions are coordinated

The independence of the internal audit function is ensured by its direct reporting line to the Chairperson of the Supervisory Board's Audit and Finance Committee.

The function consists of the following streams:

- internal audit
- internal control
- risk management

The annual internal audit engagement plan is developed taking into account Metinvest's key risks, strategic goals, significant matters, cyclical audits, management requests and inputs from the Audit and Finance Committee. In 2021, the internal audit team conducted 37 engagements. Key focus areas included supply management of raw materials and services; production; quality management; risk management; management reporting.

The management is responsible for ensuring that issues raised by the internal audit function are addressed on time. The function also monitors recommendations on internal audit measures agreed with the management.

EXTERNAL AUDIT

GRI 102-56

Covering each financial year since 2006, Metinvest has prepared consolidated financial statements in accordance with IFRS, as adopted by the EU, and has engaged an independent external auditor to audit them.

For the 12 months ended 31 December 2021, the Group appointed PwC to perform this external audit and provide an opinion on the IFRS consolidated financial statements. The measures in place to safeguard the external auditor's independence and ensure high quality of service include rules requiring rotating the signing partner and obtaining pre-approval for all non-audit services.