

## SUSTAINABLE DEVELOPMENT

# A PRINCIPAL RESPONSIBILITY

Metinvest embeds sustainability principles throughout its business. The Group strives to care for the well-being, health and safety of employees, to be environmentally responsible, to develop local communities, and to support customers and contractors.

**A HOLISTIC APPROACH**

GRI 102-19; 102-20; 103-2

Metinvest follows the sustainability approach outlined in the Sustainability Policy of SCM, one of its shareholders, which guides the Group's efforts to promote sustainable development and build an ethical business.

Sustainability matters, depending on their nature, are considered at various levels throughout the Group. The Supervisory Board provides advice to the Management Board, including on the sustainability priorities for Metinvest's business operations, overseeing the execution of policies and the implementation of processes for managing significant risks and opportunities.

The Supervisory Board's Health, Safety and Environmental Committee helps the executive team to implement and maintain the highest sustainability standards concerning environmental protection and occupational health and safety.

The Sustainable Development and People Management Directorate at the executive team level works to strengthen labour relations, support an effective system of employee remuneration and professional development, enhance corporate culture, improve the occupational health and safety system, and oversee environmental activities. It also strives to maintain long-term relationships of trust with various stakeholder groups.

**UN SDG CONTRIBUTION IN 2021**

GRI 102-12

Metinvest has been a member of the UN Global Compact since 2010 and adheres to its Ten Principles of Sustainable Development, which cover human rights, labour relations, environmental protection and anti-corruption. The Group strives to ensure sustainable development in line with the UN Sustainable Development Goals (SDGs) and prioritises those areas where it can make the most significant and tangible contribution.

In 2021, Metinvest continued to focus on the five SDGs that are most relevant for its business: SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action). The Group worked to ensure health and safety at its assets; support and develop employees and local communities, including the response to COVID-19; improve operational efficiency and reduce environmental impact by modernising equipment; and partner with international leaders in green technologies for low-carbon steel production in the future. It also made material contributions to the achievement of other SDGs.

**CONTRIBUTION TO PRIORITISED SDGs****CONTRIBUTION TO OTHER SDGs**

## SUSTAINABILITY RISK MANAGEMENT

GRI 102-11; 102-15

Metinvest categorises sustainability-related risks as part of non-commercial risks. For more details about the Group's general risk management approach and practices, see pages 68-69.

Continuous monitoring of sustainability risks is a prerequisite for ensuring the effectiveness of Metinvest's sustainable development approach.

Each of the key sustainable development risks presented in the following table is mapped against conditions identified as causing its occurrence and a list of key risk mitigation efforts.

### Key sustainability risks and mitigation efforts in 2021

Risk and description	Risk mitigation efforts
<p><b>HEALTH AND SAFETY</b></p> <ul style="list-style-type: none"> <li>- Workplace injuries and fatalities</li> <li>- Inconsistent application of certain risk management tools, leading to reduced effectiveness of the entire health and safety management system</li> </ul>	<ul style="list-style-type: none"> <li>- Expanded the occupational health and safety roadmap by adding new critical risks and rolling out its programmes at newly acquired assets</li> <li>- Revised the approach to on-site risk assessment</li> <li>- Continued to apply health and safety motivation tools throughout the Group</li> <li>- Provided professional development opportunities for specialists in the field</li> <li>- Piloted the contractor safety assessment and rating methodology at its production assets in Ukraine</li> </ul>
<p><b>ENVIRONMENT</b></p> <ul style="list-style-type: none"> <li>- Environmental impact from the Group's operations, including air pollution, wastewater discharges and waste generation</li> <li>- Increased scrutiny of the Group's activities from stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>- Applied the precautionary principle and evaluated potential relevant impacts when planning investment projects</li> <li>- Implemented technical measures to reduce the environmental impact and monitored compliance with regulatory requirements</li> <li>- Took initiatives to increase energy efficiency</li> <li>- Made progress on Green Centre projects to foster a culture of ecological stewardship in the regions of presence</li> </ul>
<p><b>CLIMATE CHANGE</b></p> <ul style="list-style-type: none"> <li>- Increased legislative requirements to accelerate the transition to a low-carbon economy</li> </ul>	<ul style="list-style-type: none"> <li>- Worked to develop a long-term decarbonisation roadmap of its business</li> <li>- Partnered with leading companies in green steelmaking</li> <li>- Followed best practices for the calculation and disclosure of direct and indirect GHG emissions and direct GHG emissions intensity for steelmaking assets to meet accountability expectations of stakeholders</li> </ul>
<p><b>BUSINESS ETHICS AND COMPLIANCE</b></p> <ul style="list-style-type: none"> <li>- Corporate fraud</li> <li>- Commercial bribery</li> </ul>	<ul style="list-style-type: none"> <li>- Monitored compliance with corporate policies and procedures</li> <li>- Introduced the Code of Business Partnership to govern supplier relations</li> <li>- Ensured continued access to the Trust Line and investigated reported incidents</li> <li>- Promoted awareness among employees on business ethics and anti-corruption matters</li> <li>- Revised the Group's approach to corruption and fraud risk</li> <li>- Conducted mandatory anti-corruption verification of suppliers and customers</li> <li>- Performed internal security screenings of all candidates for senior and high-risk positions</li> <li>- Conducted internal audits that included corporate fraud and bribery risk assessment</li> </ul>
<p><b>INFORMATION SECURITY</b></p> <ul style="list-style-type: none"> <li>- Losses incurred by the Group from critical data leakage</li> <li>- Interruption of critical equipment work or processes caused by an information system failure</li> </ul>	<ul style="list-style-type: none"> <li>- Implemented organisational and technical measures to identify, categorise, protect and monitor the security of confidential information and personal data, consistent with the Group's <a href="#">Privacy Policy</a></li> <li>- Analysed the security of IT resources</li> <li>- Conducted audits for compliance with information security requirements</li> <li>- Implemented a set of measures to ensure the safety of remote work</li> <li>- Organised training and tested the skills of IT users to prevent phishing attacks</li> </ul>

## ESG RATINGS

GRI 103-3

Metinvest has ESG ratings from two agencies: MSCI and Sustainalytics.

MSCI measures companies according to industry-specific exposure to ESG risks and their ability to manage those risks relative to peers on a scale ranging from 'CCC' (the lowest) to 'AAA' (the highest). Sustainalytics measures the magnitude of a company's unmanaged ESG risks on a scale from 0 (lowest risk) to 100 (highest risk).

During the reporting period, both agencies upgraded their ESG ratings for the Group.

MSCI improved its ESG rating for Metinvest from 'B' to 'BB' as at 31 December 2021. This was mainly attributed to robust policies and practices in the area of business ethics. MSCI also noted the Group's responsible approach to health and safety programmes and effective labour management.

Metinvest's ESG Risk Rating from Sustainalytics improved to 31.8 in 2021, down from the 32.0 assigned in 2020. Sustainalytics evaluated the Group's exposure to different ESG risks as high due to the nature of the steel industry. At the same time, the agency improved its assessment of Metinvest's management of material issues in the area. Sustainalytics noted the robustness of the Group's ESG programmes, practices and policies, highlighting that ESG is integrated

into its core business strategy and overseen by the Supervisory Board. The agency added that Metinvest's overall ESG-related disclosure implies strong accountability to all stakeholders. Regarding environmental management, Sustainalytics noted the Group's responsible approach to air emissions, effluents, waste issues and use of resources. In relation to the social component, the agency cited Metinvest's strong health and safety management system, contractor safety programmes and human capital practices. The Group's risk management in all categories for governance was also assessed as strong, due to its high standards of business ethics, efficient anti-bribery and anti-corruption programmes, as well as product governance.

In February 2022, after the reporting period but prior to the outbreak of the war, Sustainalytics upgraded its ESG Risk Rating for Metinvest further to 30.3 points. The main driver of this change was the management's consistent work to mitigate health and safety risks. Other factors included regular external audits, training and performance monitoring, as well as comprehensive policies covering both employees and contractors. In addition, the rating improvement was supported by stronger financial results leading to lower exposure. Sustainalytics considered the Group's management of ESG risks as strong and mentioned that it was not involved in significant controversial accidents with substantial environmental or safety liabilities as of the date of review.

## SUSTAINABILITY CHARTER

GRI 102-12

Consistent with Metinvest's commitment to sustainable business practices, in early 2022, after the reporting period, the Group signed the World Steel Association's revised and expanded [Sustainability Charter](#). It is organised into nine principles with 20 associated criteria covering environmental, social, governance and economic aspects of sustainability. This reflects the industry's increasing focus on sustainability and its responsibility to generate positive impacts on people, the planet, and the prosperity of society.

## WAR IMPACT

The war has significantly influenced the Group's operations and its projects contributing to the achievement of the Sustainable Development Goals. It has brought tremendous grief to Ukraine's people, including Metinvest's employees. Since the start of the war, the Group has directed its resources to help Ukraine to strengthen national defence capabilities and to support its employees and communities.

Metinvest has reprioritised its community development projects and, where possible, refocused its efforts on the provision of humanitarian aid to Ukrainians. The Group's efforts to support its people, communities and the country are described in greater detail in the respective sections of this report.

Even though Metinvest has had to postpone some important projects, such as the development of a decarbonisation roadmap, the Group has proceeded with other key social initiatives, such as Metinvest Polytechnic (for more details, see page 45).

Meanwhile, Sustainalytics has downgraded its ESG Rating for Metinvest to 40.9 points, from the previous 30.3, after incorporating the risks associated with full-scale war in Ukraine in its assessment methodology. This risk is not driven by actions taken by the Group or its management and is out of Metinvest's control.