ENVIRONMENT

A LONG-TERM COMMITMENT

The war impacted both Metinvest's environmental performance and reporting at affected assets, while new projects were put on pause in 2022. Nonetheless, the Group maintained its ongoing ecological approach and practices and continued to plan for a greener future.

A STEADFAST OBLIGATION

GRI 2-25; 203-2

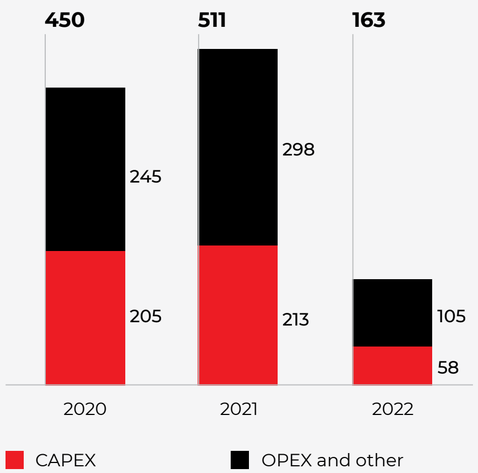
The impact of the Russian Aggression on Metinvest's environmental projects has been significant. The Group placed some of its Ukrainian assets in hot conservation mode to ensure its employees' safety and prevent any industrial accidents. Halted production at the Mariupol steelmakers and Avdiivka Coke, one of the most significant contributors to Metinvest's environmental exposure, materially impacted its ecological footprint. In addition, owing to various risks, numerous programmes initially scheduled to commence or continue during the year were suspended.

At the same time, the full-scale war has not altered the Group's long-term commitment to environmental protection. In 2022, Metinvest continued to adhere to the highest standards in this area at its operational facilities. The related specialists continued to perform comprehensive impact assessments on air, land and water resources, and conduct laboratory analysis and internal audits across the Group's operations, supplemented by third-party audits.

Overall, in 2022, Metinvest spent US$163 million on environmental initiatives, down 68% year-on-year. This included capital expenditure[1] of US$58 million, which is 73% lower year-on-year. At the same time, the Group proceeded with critical repairs, mainly to keep dust and gaseous emissions at below-permitted levels.

Spending on environment

US$163 mn **68% ▼**



[1] The environmental CAPEX for assets located in Ukraine is calculated based on Ukrainian regulatory requirements and methodology and may differ from the IFRS approach.

GENERAL APPROACH

GRI 3-3

The Group's primary environmental principles involve adherence to applicable legislative requirements and implementation of best practices. The Policy in the Field of Health, Safety and the Environment directs Metinvest's strategy for managing its impact in this area.

At the upper level of the Group's corporate governance, the Supervisory Board's Health, Safety and Environmental Committee delivers strategic supervision over its environmental management.

In 2022, the environmental function within Metinvest's Sustainable Development and People Management Directorate ensured compliance with legislative mandates, performed risk evaluations and internal audits, and devised measures to reduce, where possible, the ecological footprint, among other concerns. In May 2023, the environmental function was merged into the Technological Directorate to further enhance the effective implementation of the environmental agenda.

At the asset level, senior management representatives convene quarterly to address essential environmental matters and decide on the execution of related projects.

In 2022, Metinvest continued to evaluate its assets for compliance with international standards. During the reporting period, the certification for ISO 14001:2015 was extended to Kryvyi Rih Machining and Repair Plant, Pokrovske Colliery and Zaporizhia Refractories. As a result, 16[2] operating assets of the Group were certified as of the end of 2022.

Building on this base of common standards, the environmental certification of steel products is an essential trend for the industry as customers seek to reduce emissions in their supply chains. In Italy, Metinvest Trametal implemented the Environmental Product Declaration (EPD) in 2022 and received an official certificate from independent assurance provider DNV in early 2023.

The Group seeks to maintain an open dialogue with all stakeholders to solve ecological issues in the regions where it operates jointly. Any direct concerns about environmental matters may be submitted via the Trust Line. In 2022, no complaints were made through the Trust Line by stakeholders, regulators or other public organisations about environmental protection matters.

[2] Central GOK, Ferriera Valsider, Ingulets GOK, Kamet Steel, Kryvyi Rih Machining and Repair Plant, Metinvest Holding, Metinvest-Promservice, Metinvest Trametal, Northern GOK, Pokrovske Colliery, Promet Steel, Spartan UK, Sviato-Varvarynska Beneficiation Factory, Unisteel, Zaporizhia Coke and Zaporizhia Refractories.

ADDRESSING CLIMATE CHANGE

Decarbonisation

The Russian Aggression affected Metinvest's work on a long-term decarbonisation roadmap. Once the war is over and its impact is assessed, the Group plans to return to its decarbonisation journey, which is currently suspended.

Metinvest remains committed to its green steel future. While significant investments cannot be made at present in Ukraine, the Group is focused on the following areas of development in the future: improving the quality of its iron ore products as its magnetite ores are well suited for pelletising; and shifting to proven and prospective low-carbon technologies used in steel production, such as direct reduced iron (DRI), electric arc furnace (EAF) and smelter.

GHG emissions disclosures

GRI 305-1; 305-2; 305-4

Metinvest's greenhouse gas (GHG) emissions consist primarily of carbon dioxide (CO_2), and to a lesser extent methane (CH_4) and nitrous oxide (N_2O).

Since 2021, Metinvest has reported its CO_2 emissions in compliance with Ukraine's law "On the Principles of Monitoring, Reporting and Verification of Greenhouse Gas Emissions". It calculates direct Scope 1 CO_2 emissions from stationary sources using the entire carbon balance at an installation's input and output points. This approach aligns with the one adopted by the EU, making the Group's CO_2 reporting and intensity benchmarks comparable with those of EU-based peers. In addition, it calculates direct Scope 1 CO_2 emissions from mobile sources and indirect Scope 2 CO_2 emissions associated with its electricity purchases under the Greenhouse Gas Protocol.

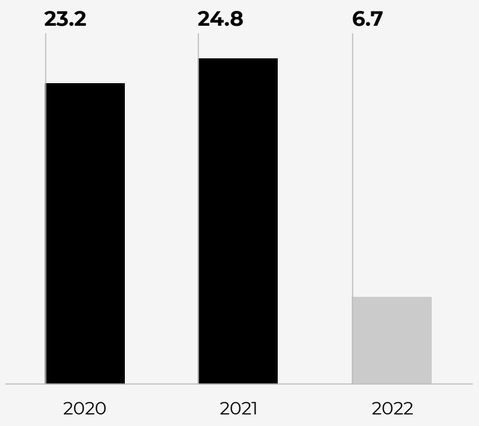
In 2022, Metinvest's CO_2 emissions decreased primarily because the Mariupol steelmakers and Avdiivka Coke suspended operations: Scope 1 CO_2 emissions totalled 6.7 million tonnes[3], down 73% year-on-year, and Scope 2 CO_2 emissions were 1.4 million tonnes[4], down 55% year-on-year.

At the same time, the Group's direct CO_2 emissions intensity climbed by 13% year-on-year to 2.45 tonnes of CO_2 per tonne of crude steel production[5]. This mainly resulted from the disruption of production operations at Kamet Steel, including electricity cuts that began in the fourth quarter of 2022 amid damage to power infrastructure across Ukraine. This and other factors forced the plant to restart operations, requiring greater energy consumption in the process, which in turn led to higher CO_2 emissions intensity.

Metinvest's primary source of methane emissions is its underground coking coal mining operations. In 2022, the Group's CH_4 emissions increased by 22% year-on-year to 102 thousand tonnes, mainly because the consolidation of Pokrovske Coal in March 2021 created a low base effect for comparison. At the same time, methane emissions at United Coal fell by 35% year-on-year because of decreased production.

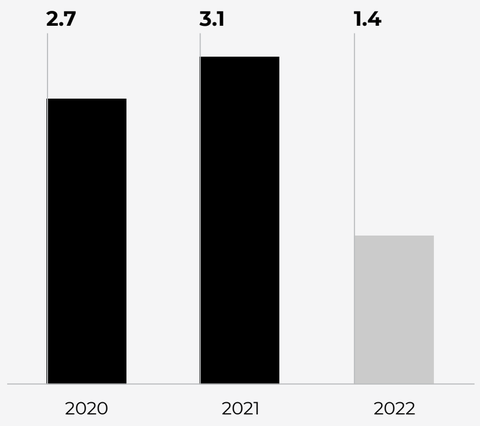
Direct CO_2 emissions (Scope 1)[3]

6.7 mt ▼ 73%



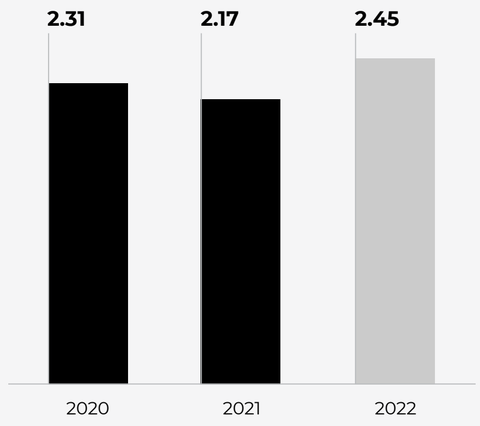
Indirect CO_2 emissions (Scope 2)[4]

1.4 mt ▼ 55%



Direct CO_2 emissions intensity[5]

2.45 tonnes per tonne of crude steel ▲ 13%



[3] The indicator for 2022 includes data of the Mariupol steelmakers for January 2022 only. These data cannot be used for the purposes of taxation or other withholdings.

[4] Scope 2 CO_2 emissions were calculated using the location-based method. As Metinvest generally purchases electricity from traders, this approach reflects the average emissions intensity of power grids through which energy consumption occurs, primarily using grid-average emission factor data. This data cannot be used for the purposes of taxation or other withholdings.

[5] The calculation is based on Scope 1 stationary and mobile CO_2 emissions of the Group's steelmakers. The indicator for 2022 includes data of the Group's Mariupol steelmakers for January 2022 only. Uniquely those material flows directly used in steelmaking processes were taken into account, while volumes of merchant pig iron were not included.

ENERGY EFFICIENCY

GRI 3-3; 302-1; 302-4

The Operational Directorate is responsible for the energy management and implementation of energy efficiency programmes at Group level. Metinvest maintains a specialised division at every operating production facility that oversees energy resource usage in manufacturing and implements efficiency initiatives.

The Group works to ensure that the energy management systems operate in accordance with relevant international standards. At the year-end, the energy efficiency management systems at six operating assets[6] were certified as compliant with ISO 50001.

In 2022, Metinvest prioritised energy security, emergency prevention, maintaining production continuity and exploring alternative power sources for critical infrastructure. It also focused on optimising energy costs, implementing energy-saving programmes, and increasing in-house electricity generation. Overall, the Group's spending on energy efficiency initiatives decreased by 39% year-on-year to US$10 million. Key measures in energy security in Ukraine included:

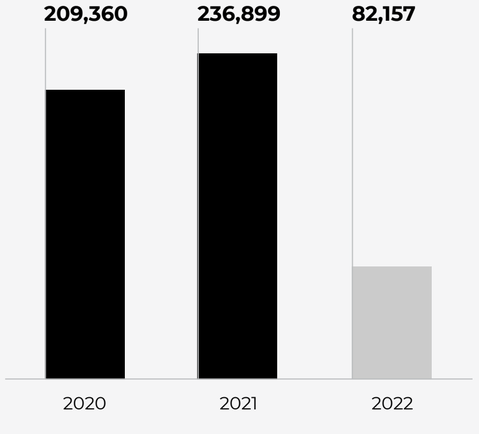
- implementing hot mothballing programmes
- managing hourly electricity consumption under power supply limitations
- conducting unscheduled inspections of protective equipment and electrical installations
- connecting backup gas, electricity and water supply sources to critical equipment
- optimising heating systems in buildings

In 2022, Metinvest's direct energy consumption totalled 82,157[7] terajoules, down 65% year-on-year, primarily because of the halt of operations at the assets in Mariupol and Avdiivka Coke.

During 2022, the Group continued to use contractor services to implement turn-key energy savings projects. For example, natural gas was partially substituted with crushed sunflower husk at the particular production units of Central GOK and Zaporizhia Refractories, saving 40% and 55% of total natural gas consumed by each unit respectively.

Direct energy use[7]

82,157 TJ | **65% ▼**



[6] Central GOK, Ingulets GOK, Kamet Steel (coking facilities), Northern GOK, Zaporizhia Coke and Zaporizhia Refractories.

[7] For 2021-2022 diesel fuel and petrol consumption of the Mariupol assets are excluded from the total energy use due to unavailability. The indicators for 2020 and 2021 were restated as natural gas consumed by United Coal was added. The coefficient used for conversion from TOE to TJ is 1 TOE = 0.0293076 TJ. Metinvest does not use higher heating values (HHV), also known as gross calorific values (GCV), in its calculations of energy consumption from fuel.

ASSESSMENT OF CLIMATE RISKS

To adhere to best global practices in managing climate change risks, Metinvest engaged an expert to assess applicable climate change risks and opportunities using recommendations provided by four pillars of the Task Force on Climate-related Financial Disclosures (TCFD) frameworks: Governance, Strategy, Risk Management, and Metrics and Targets.

This expert review covered the following:

- improvement of climate-related governance structure
- integration of climate change risks into the Group's risk management system
- assessment and management of material physical and transition risks identified for Metinvest
- analysis of potential climate change impacts on the Group under at least two warming scenarios

Governance

- assessment of the Group's governance relating to climate-related risks and opportunities
- analysis of Supervisory Board oversight of climate change issues
- designation of the executive team's role in assessing and managing climate-related risks and opportunities

Strategy

- identification and assessment of climate-related risks and opportunities over the short, medium and long term
- impact evaluation of climate-related risks and opportunities on operational and financial results in the short, medium and long term, using different climate-related scenarios

Risk Management

- analysis of the processes for identifying, assessing and managing climate-related risks
- identification of owners of climate risks
- integration of assessment of climate-related risk processes into the risk management system

Metrics and Targets

- Metinvest calculates and discloses its carbon emissions and carbon intensity in accordance with common industry practices
- assessment of climate change risks related to the Group's carbon emissions

WATER MANAGEMENT

GRI 303-1; 303-2; 303-3; 303-4; 303-5

Metinvest strives to identify, prevent and mitigate the potential impact of its operations on water resources. The Group's steel assets use water primarily for cooling equipment and for flue gas cleaning systems. Iron ore mining assets utilise recycled water to mix with milled ore before separating valuable components from waste material, or 'tails', which are then sent to tailings storage facilities. Moreover, the BOF production process employs water to purify gas from steel production, recycling the cleaned water back into the process. Metinvest closely monitors the quality of water resources used and withdrawn by its operating assets to ensure compliance with environmental legislation. It also regularly upgrades its laboratories to guarantee measurement accuracy.

In 2022, the Group focused primarily on control measures to reduce risks associated with the Russian Aggression and unforeseen changes in water resource usage. Suspended operations at the affected assets had a material impact on the relevant water indicators.

In particular, in 2022 the total volume of water intake was 115 million cubic metres[8], down 82% year-on-year, while the total volume of water consumption was 101 million cubic metres[8], 84% lower year-on-year. At the same time, the total water discharge decreased by 86% year-on-year to 77 million cubic metres[8].

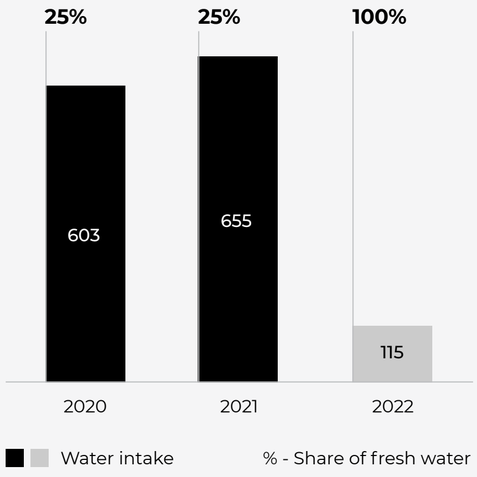
Meanwhile, the share of freshwater intake was 100% in 2022 compared with 25% in 2021 because, historically, Azovstal was the only asset of the Group that withdrew salt water from the Azov Sea.

Also, the Group recycled and reused 91% of water consumed from all sources in 2022, up ten percentage points year-on-year.

In June 2023, after the reporting period, Russian occupying forces intentionally destroyed the dam of the Kakhovska Hydroelectric Power Plant on the Dnipro River. This led to extensive flooding and damage to communities in the Kherson region. It also caused a critical drop in the water level at the Kakhovska reservoir, which supplies water to Kryvyi Rih. Based on the management's best estimates of the potential impact of this event, it is not expected to have a severe impact on the operations of the Group's assets in the city because they are mainly sourced by groundwater from a quarry.

Water intake[8]

115 mcm | **82% ▼**



[8] The water indicators for 2022 exclude data for the Mariupol-based assets and Avdiivka Coke.

WASTE MANAGEMENT

GRI 306-1; 306-2; 306-3; 306-4

Responsible waste management is an integral part of Metinvest's environmental agenda. Industrial waste generated through the production processes includes overburden and tailings from ore extraction and enrichment, chemical by-products from coke production, as well as slag and iron-containing sludge from hot metal and steel production.

The Group continues to focus on reusing and recycling waste, such as utilising crushed rock for road repair and construction, commercialising by-products like coal tar pitch and naphthalene, and substituting iron ore raw materials with scrap. The amount of scrap consumed as a share of total steel production in 2022 was 14%, a decrease of six percentage points year-on-year because of lower output.

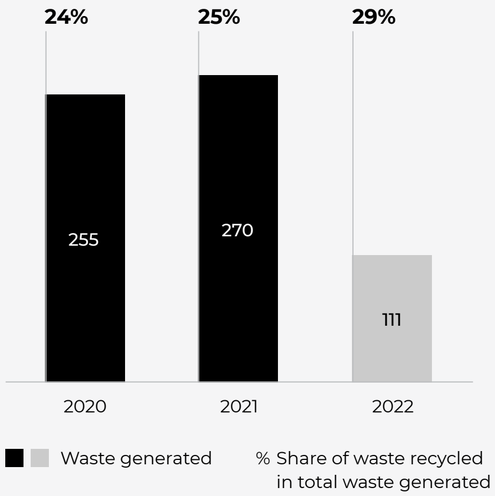
Metinvest stores its waste in designated areas, such as slag and sludge repositories at steelmaking sites and tailings storage facilities at iron ore mining assets for waste from concentrate production. These structures are typically located in regions with low seismic activity and minimal risk of heavy rainfall. The Group adheres to regulatory requirements and relevant laws, maintaining the necessary licences for facility operation. Metinvest rigorously conducts internal audits of tailings dam stability and assigns employees to inspect them regularly, while tracking waste volumes and disposal methods, and evaluating potential impacts. Moreover, annual external assessments of tailings facilities are conducted by Ukrainian state authorities and an independent expert organisation, ensuring compliance with the Group's tailings management approach and long-term safety measures like tailings dam loading and drainage system cleaning.

During the reporting period, Metinvest's industrial waste from production decreased by 59% year-on-year to 111 million tonnes[9]. Almost 100% of total waste was non-hazardous, mainly overburden and tailings from the iron ore producers. The Group recycled a total of 32 million tonnes of waste, down 54% year-on-year. A decline in these metrics was caused by the downtime of iron ore assets in 2022. Despite the reduction in the total amount of waste recycled, the share of recycled waste in the total rose by three percentage points year-on-year to 29%.

For more details on key environmental data, see Annex 2.

Waste generated and recycled[9]

111 mt | **59% ▼**



[9] The indicator 2022 excludes data of Mariupol-based assets and Avdiivka Coke.

AIR EMISSIONS

GRI 305-7

Metinvest regularly monitors air emissions at its operating assets in accordance with applicable legislation regarding the pollutant thresholds set out in the permits. The air emissions of the Group include primarily carbon monoxide (CO), dust, sulphur oxides (SO_2) and nitrogen oxides (NO_2), while CO emissions contribute the biggest portion.

In the reporting period, Metinvest focused on critical repairs to keep dust and gaseous emissions below permitted levels. At the same time, prior to 24 February 2022, the Group completed a project at Northern GOK to replace gas cleaning units for its Lurgi 552-A roasting machine helping to reduce dust emissions.

In 2022, Metinvest's air emissions totalled 80 thousand tonnes[10], down 79% year-on-year primarily because of the suspended operations at Azovstal and Ilyich Steel and the lower capacity utilisation at the Group's other production assets.

BIODIVERSITY

GRI 304-1; 304-2; 304-3; 304-4

Metinvest strives to preserve biodiversity as a part of its overall efforts to minimise its environmental impact. The Group's assets do not operate in protected natural areas or areas of high biodiversity value, nor do they affect the habitats of species listed on the Red List of the International Union for Conservation of Nature (IUCN) or national conservation list.

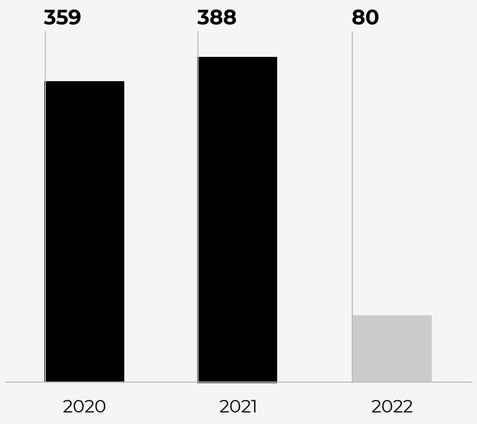
Metinvest aims to restore lands disturbed by its mining operations and implements measures to preserve landscapes, reduce the extent of disturbed land and return sites to their original condition.

In accordance with Ukraine's Mineral Resources Code, Land Code, Mining Law and Land Protection Law, as well as other Ukrainian and US legislation and regulations, the Group is responsible for site restoration and soil rehabilitation upon decommissioning non-hazardous waste storage facilities and mines. This commitment is supported by subsoil use licences obtained from government authorities.

In 2022, Metinvest's operating facilities continued to implement greening measures to reduce dust at dumps and tailings facilities. In particular, Central GOK planted more than 3,000 saplings in its sanitary protection zones to preserve atmospheric air quality. Also, Ingulets GOK participated in a municipal programme aimed at increasing the number of green spaces at production sites and adjacent territories. In addition, it has provided comprehensive support to protect the Vizyrka nature preserve, created on previously mined quarry land.

Air emissions[10]

80 kt | **79% ▼**



[10] The air emissions indicators for 2022 exclude data of the Group's Mariupol assets.