

Responsible Supply Chain

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

We adhere to the principles of responsible and effective supply chain management and comply with applicable legislation in this area. The Group's supply chain includes the purchase of raw materials, goods and services, and covers the procurement, production, marketing and distribution processes.

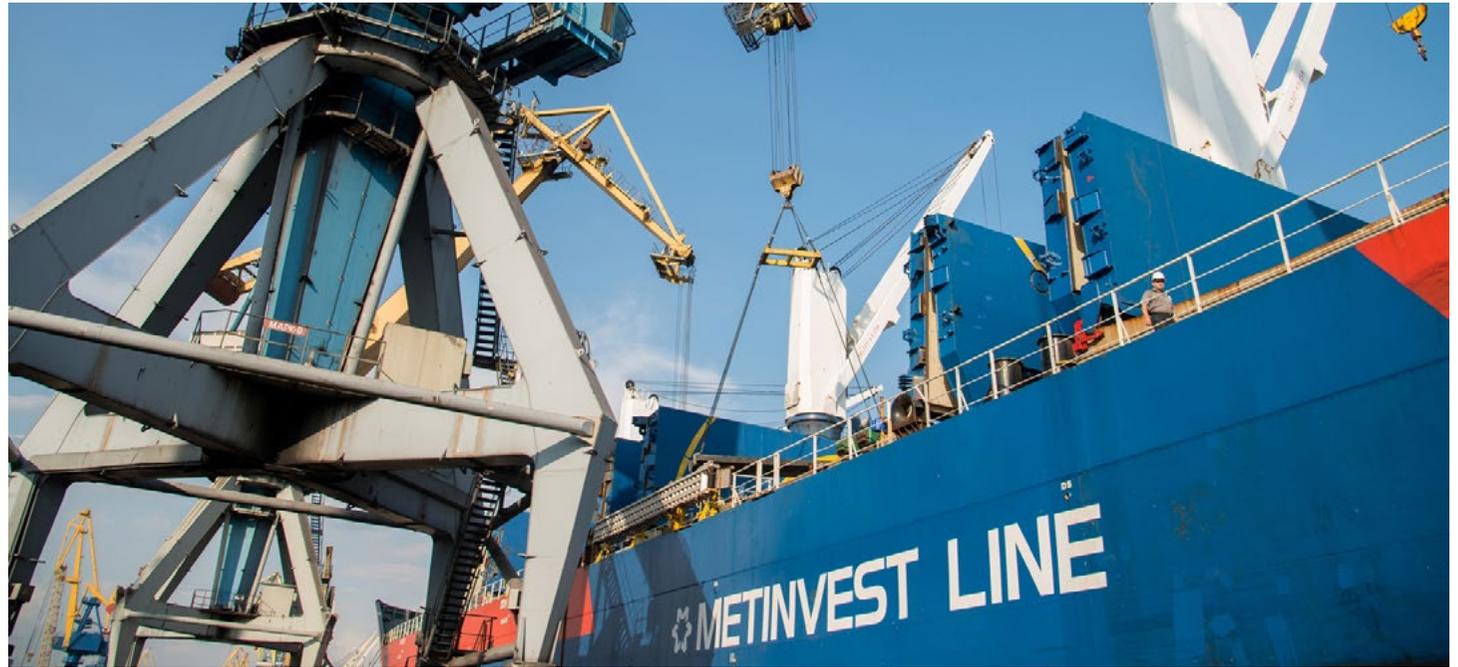
The Logistics and Procurement directorate oversees our efforts in this area. Its main responsibilities are to ensure efficient and seamless supply of high-quality raw materials, goods, equipment and services. Metinvest strives to maximise its contribution to the economic development of the countries where it operates by supporting local contractors. In 2020, more than 80% of raw materials, goods and services purchased in Ukraine came from local suppliers⁴.

Despite the impact of COVID-19 restrictions on the supply market, the Group's efficient, streamlined procedures allowed us to secure uninterrupted supplies of the raw materials required for production.

GRI 103-2

RESPONSIBLE PROCUREMENT

We apply responsible procurement practices to ensure the sustainability of our supply chain. In 2019-20, we drafted new internal documents governing this area that took force at the beginning of 2021, including the Procurement Policy, Regulation on Procurement Management, area-specific procurement procedures and Code of Business Partnership.



The procurement management system covers processes such as supplier selection (including pre-qualification and pre-contract assessment), value analysis, contract administration and monitoring, shipment monitoring and procurement quality control.

In 2019, Metinvest introduced a unified organisational structure for the Logistics and Procurement directorate at its entities. It consists of four separate units: a Supply Planning and Analysis Service,

a Supply Service, a Procurement Service and a Central Warehouse. In 2020, we saw improvements in the efficiency of our supply chain management because of this initiative. During the reporting period, all key assets of the Group completed their transition to this target structure.

Metinvest's Key Procurement Principles

- Ethical business conduct
- Free competition among suppliers
- Transparency of information
- Economic feasibility and efficiency of procurement

⁴ Local suppliers are defined as third parties that provide raw materials and supplies to the Group and are registered and operating in Ukraine.



GRI 103-3

The Group conducts internal audits to monitor and evaluate procurement performance. These audits provide recommendations to improve supply chain efficiency for the Executive Team to review, as well as appropriate measures that can be introduced. They also make it possible to monitor the implementation of recommendations that have been provided from past audits.

In 2019, we conducted our most recent large-scale internal audit. We followed this up by developing a risk mitigation plan to address fraud, corruption and internal non-compliance. In 2020, we updated our regulatory documents and initiated a rotation for high-risk positions. We also introduced additional controls for supplier selection stages, a mechanism for generating discounts and a policy for screening supplier prices against market benchmarks.

The Group applies various technical solutions and tools to streamline and improve the efficiency of procurement processes. Our Ukrainian entities use a procurement calendar that gives our existing and potential partners

an opportunity to promptly receive complete information about planned and current purchases, bidding terms and conditions, procurement initiators and procurement items.

We also use the SAP Ariba electronic procurement platform. It helps to foster reliable and open relationships with business partners. In particular, the SAP Ariba Supplier Lifecycle Performance (SLP) system makes the management of the supplier registration and qualification processes possible, while the SAP Ariba Sourcing Trading System (STS) allows for competitive supplier selection by facilitating rapid and reliable online information exchanges with the bidders. In 2020, SAP Ariba STS was deployed at nine more assets within the Group⁵. By using a unified automated electronic system at its assets, Metinvest is able to centralise the supplier engagement processes and improve the transparency of the supplier selection process.



5 Dnipro Coke, Kryvyi Rih Machining and Repair Plant, Mariupol Machining and Repair Plant, Metinvest Engineering, Metinvest-Promservice, Metinvest-Resource, Metinvest-Shipping, Metinvest-SMC and Zaporizhia Refractories.

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

SUPPLIER RELATIONS

Metinvest adheres to fair, open and ethical methods when dealing with its business partners. While cooperating with suppliers, we verify their reliability, build mutually beneficial relationships and strive to conclude long-term contracts.

Metinvest follows well-established principles in supply chain management and expects the same from its business partners. They must share the principles of the Group's Code of Ethics, which aim to ensure working conditions that align with best practice in occupational health and safety, responsible social and environmental behaviour, compliance with business ethics and respect for human

rights. These supplier selection criteria are as important to us as the delivery terms, cost and quality of goods and services.

The Trust Line is a feedback system that helps to monitor compliance with business ethics. Suppliers who wish to report a violation of the Code of Ethics can do so through it.

All potential suppliers are subject to our pre-qualification assessment and analysis of potential partnership risks. In 2020, we performed 10,800 pre-contract assessments and 5,100 pre-qualification assessments, which helped in the selection of 560 new suppliers.



Code of Business Partnership

In 2020, we developed a Code of Business Partnership that we adopted in early 2021.

The purpose of the document is to establish clear standards of compliance with ethical principles and business requirements that should guide existing partners and new potential suppliers.

By introducing this code, we intend to prevent potential unethical

business practices by maintaining an atmosphere of trust, respect and decency.

The key principles of the Code of Business Partnership are respect and focus on cooperation; occupational health and safety and environment protection; confidentiality; compliance with the law and the Code of Ethics; and social responsibility.

We retain the right to disqualify suppliers from bidding – either for a specified period or indefinitely – should any unfair business conduct be revealed. The disqualification criteria are established at a corporate level. They are published on the Group's corporate website. Participants in the selection process can contest the outcome of the pre-qualification assessment by filing a complaint with the Group's Appeal Committee concerning the actions or inaction of the Tender Committee through the email address appeal@metinvestholding.com. During the reporting period, around 70 suppliers were disqualified.

We have an additional screening of suppliers and their products to eliminate or mitigate corruption risks and risks of non-compliance with international obligations and sanctions. Suppliers who have not passed the compliance screenings cannot participate in the procurement process.

Since 2020, Metinvest has been developing a Supplier Performance Evaluation Procedure. It establishes a unified approach and format for performing the evaluation and outlines the participants' responsibilities.

Responsible Supply Chain

GRI 416-1; 416-2

PRODUCT QUALITY MANAGEMENT

Metinvest strives to conform with the international quality standards and requirements applied to both final products and the production process. We provide systematic quality assurance throughout the supply chain.

GRI 103-2

The implementation of international standards helps to improve the quality management system at the Group's entities. By the end of 2020, almost all our production sites were certified under ISO 9001⁶.

The Regulation on Product Quality Management is a key corporate standard on quality control that governs our internal processes and procedures. The technology and quality division monitors the

compliance of the production process with the relevant requirements at each entity.

Metinvest examines the quality of raw materials and compliance with the production process parameters, certifies the finished products against customer requirements, and ensures that the proper control measures are taken.

GRI 103-3

Each asset establishes its own quality council that meets at least once a year to review the quality management system's compliance with ISO 9001 requirements. The asset's general director chairs these council meetings. Each month, the Group's assets also assess the effectiveness of quality management systems and the activities of business units, check for customer complaints and examine non-compliance and defect levels.

The Regulation on Product Quality Management also governs the quality management system assessment. The assessment criteria include personnel awareness; incident investigation quality; a performance analysis for product quality improvement measures; the system of audits and technological checks; and personnel competencies, knowledge and goal achievement.

At the Group's assets, the general procedures for checking product quality include examining chemical composition, mechanical properties, geometrical dimensions, technological parameters and packaging quality. Certified laboratories perform chemical analysis for each production lot.

GRI 417-1; 417-2

Before preparing products for sale, a quality certificate is issued for each product unit. This certificate describes the properties of each product unit/production lot and confirms compliance with quality requirements. Metinvest engages independent inspectors to perform additional visual checks of products before they are shipped.

Steel assets of the Group also use equipment to automatically monitor radiation levels of vehicles that enter and exit its facilities as outlined in our internal procedures. We do not allow railcars and other vehicles containing materials with elevated radiation levels to enter or depart our facilities. If elevated radiation levels are detected, our approach is to isolate the affected vehicles and inform regulators and the relevant local public authorities.



6 Avdiivka Coke, Azovstal, Central GOK, Dnipro Coke, Ferriera Valsider, Ilyich Steel, Ingulets GOK, Kryvyi Rih Machining and Repair Plant, Mariupol Machining and Repair Plant, Metinvest Trametel, Northern GOK, Promet Steel, Spartan UK, Unisteel, Zaporizhia Coke and Zaporizhia Refractories.

CUSTOMER RELATIONS

Metinvest values its customers and strives to build long-term and mutually beneficial relationships with them. We are constantly expanding and improving our product and service portfolios to ensure high quality and meet the needs of our customers in every possible way. To foster effective customer engagement and open dialogue, we regularly engage with them, organise visits to the Group's production sites, hold thematic events and participate in forums and exhibitions.

Metinvest's technical experts visit customer sites as part of the technical support programme operated by the Group's assets. In 2020, the COVID-19 pandemic led us to introduce an alternative solution through which we provide technical support mainly as an online service to our customers.

GRI 103-2; 103-3

The Sales directorate oversees customer interactions. Our customer relationship management (CRM) system allows us to monitor and control related processes. Every year, our entities assess the effectiveness of customer interactions and their satisfaction levels. This helps to better understand customer needs, identify areas for improvement and draw up an action plan to address deficiencies. We ensure the effective functioning of our CRM system through internal regulations governing various aspects of CRM, including pricing, key accounts, customer segmentation, lead generation and the sales process.

In 2020, we continued to deploy two SAP CRM modules: Cloud for Customer (C4C) and Configure Price Quote (CPQ). The platform has helped the Group to attract new customers and enter new product segments in the markets where it operates. By collecting information about our customers in a standardised format using a centralised system, we have identified customers with whom we needed to interact more frequently and made the

necessary adjustments. The deployment of the SAP CRM modules also helps to control pricing policy and minimise the risk of incorrect information being provided to customers.

During the reporting period, the core part of the CRM system at our Swiss trading subsidiary Metinvest International was in operation for its first whole year and brought considerable value for both the Group and customers. Metinvest also started preparing to roll the system out in Ukraine and Western Europe.

KEY ACCOUNT MANAGEMENT PROGRAMME

In 2020, we further developed our Key Account Management Programme to ensure a sustainable focus on product quality, customer potential development and the satisfaction of key customers about their engagement with the Group. We began working on an approach for providing a 'packaged' service to key customers that is designed to ensure systematic resource control and guarantee service priority. We also prepared a platform for digitalising the customer service process in CRM.

We were able to increase the number of potential key customers through engagement with a new customer segment: manufacturers of cold-rolled and coated products.

In 2020, the Group conducted a satisfaction survey of key customers: 100% of those surveyed confirmed their intention to further expand cooperation with Metinvest in 2021.

Improving Our Sales Services

Metinvest-SMC is the Group's distribution network in Ukraine and the CIS. It offers customers the option of using its convenient online storefront and has a dedicated contact centre that supports online sales and handles phone orders.

In May 2020, Metinvest-SMC updated the product catalogue on its website. Almost 400 types of rolled steel products are available online. To make the purchase experience more convenient for the buyer, the products are classified into four categories: long products; plates; pipes and profiles; and coils and sheets. Detailed information is available about each product, including current price, dimensions, steel grade, product compliance with Ukrainian and international quality standards, and scope of application.

Customers can buy rolled steel products by simply adding the items they want to their shopping cart and placing an online purchase order.

We are currently piloting a personal buyer account that allows customers to track order status and receive notifications about status changes.

“By launching our online store, we want to become even more accessible to our customers. We provide solutions that make the purchase of steel products even simpler and more convenient.”

Igor Tonev, General Director of Metinvest-SMC



Responsible Supply Chain

LOGISTICS

Metinvest adheres to high standards of product quality and safety and ensures efficient and timely product delivery to customers. Metinvest-Shipping manages all cargo transport for the Group, from rail transport to port operations.

In 2020, the introduction of pandemic-related quotas and restrictions on rail and sea transport made it difficult to arrange for the supply of strategic raw materials. The Group diversified its supply chain to ensure the smooth operation of its assets, the delivery of the necessary raw materials and the timely shipment of finished products.

To stay competitive in an ever-changing market, we focused on strengthening our logistics function. This allowed us to manage high variability and ensure optimal costs across the entire supply chain, from raw materials to finished products. To prevent rail cargo delays, we worked more closely with national railway operator Ukrainian Railways and rolling stock operators.

As of the end of 2020, the Group's owned fleet included around 3,800 gondola cars and around 800 specialised railcars, such as hoppers for transporting pellets, flat wagons and tanks for chemical products.

During the reporting period, we continued to work with partner ports to address critical areas, increase loading and unloading volumes, and improve product storage. Metinvest worked with the state-owned Ukrainian Sea Ports Authority to introduce initiatives to maintain standard depths and ensure an 8.0 metre draft on approaches to ports in the Sea of Azov.

In 2020, we implemented several effective technical solutions in transport logistics. We started testing the SAP Transportation Management (TM) module to optimise how we distribute our transport resources among various operators. With the support of Ukrainian Railways, we organised a process for inspecting loaded railcars at the entrance control points of Ilyich Steel and Azovstal to determine whether they remained serviceable or should be decommissioned. Following the launch of Ilyich Steel's upgraded HSM 1700, we organised the transport of heavy coils on specialised platforms for transshipment to ports.



In 2020, the Group's efficient, streamlined internal processes allowed us to avoid a drop in productivity and improve our operational performance:

- We improved wagon turn-around
- We transferred administrative personnel to remote work without diminishing the quality of their work
- We organised the transportation of surplus finished products from our mining and processing plants as the wagon turn-around of Ukrainian Railways improved
- We beat the record for transshipment volumes of iron ore raw materials that was set in 2010 and the record for road transportation volumes from the production sites of the Group's assets in Mariupol to Mariupol Commercial Sea Port that was set in 2012

In September 2020, Metinvest-Shipping was named as the winner in the following categories of Ukraine's 2019 "Sea Choice" National Maritime Rating, which featured more than 200 participants:

- Agent of the Year – for servicing the largest number of ships in Ukrainian ports and terminals
- Freight Forwarder of the Year – for providing the greatest volume of freight forwarding services for non-containerised cargo in Ukrainian seaports